

***OMB Circular A-133 Compliance Supplement - Provisional***  
**June 1997**

**TABLE OF CONTENTS**

**PART 1 - BACKGROUND, PURPOSE, AND APPLICABILITY**

Background  
Purpose and Applicability  
Overview of this Supplement  
How to Obtain Additional Guidance

**PART 2 - MATRIX OF COMPLIANCE REQUIREMENTS**

**PART 3 - COMPLIANCE REQUIREMENTS**

Introduction

- A. Activities Allowed or Unallowed
- B. Allowable Costs/Cost Principles
- C. Cash Management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and Real Property Management
- G. Matching, Level of Effort, Earmarking
- H. Period of Availability of Federal Funds
- I. Procurement and Suspension and Debarment
- J. Program Income
- K. Real Property Acquisition and Relocation Assistance
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests and Provisions

**PART 4 - AGENCY PROGRAM REQUIREMENTS**

Introduction

No. and Agency Name

**10 United States Department of Agriculture (USDA)**

10.551 - Food Stamp Program

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

10.561 - State Administrative Funding for the Food Stamp Program

**14 Department of Housing and Urban Development (HUD)**

14.182 - Section 8 New Construction and Substantial Rehabilitation

14.218 - Community Development Block Grants/Entitlement Grants

14.219 - Community Development Block Grants/Small Cities Program

14.228 - Community Development Block Grant/State's Program

14.231 - Emergency Shelter Grants Program

14.235 - Supportive Housing Program

14.238 - Shelter Plus Care

14.239 - Home Investment Partnerships Program

14.241 - Housing Opportunities for Persons with AIDS

14.855 - Section 8 Rental Voucher Program

14.856 - Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation

14.857 - Section 8 Rental Certificate Program

None - Section 8 Moderate Rehabilitation Program for Single Room Occupancy Dwellings for Homeless Individuals

14.862 - Indian Community Development Block Grant Program

**17 Department of Labor (DOL)**

17.225 - Unemployment Insurance (UI) Program

**20 Department of Transportation (DOT)**

20.106 - Airport Improvement Program

20.205 - Highway Planning and Construction

**83 Federal Emergency Management Agency (FEMA)**

83.516 - Disaster Assistance

**84 Department of Education (ED)**

84.010 - Title I Grants to Local Educational Agencies (LEAs)

84.032 - Federal Family Education Loan Program (FFEL) - Guaranty Agencies

**93 Department of Health and Human Services (HHS)**

93.775 - State Medicaid Fraud Control Units

93.777 - State Survey and Certification of Health Care Providers and Suppliers

93.778 - Medical Assistance Program

## **PART 5 - CLUSTERS OF PROGRAMS**

Introduction

Research and Development

Student Financial Assistance

CFDA 84.007 - Federal Supplemental Educational Opportunity Grant Program (FSEOG)

CFDA 84.032 - Federal Family Education Loan Program (FFEL)

CFDA 84.033 - Federal Work Study (FWS)

CFDA 84.038 - Federal Perkins Loan Program (FPL)

CFDA 84.063 - Federal Pell Grant Program (PELL)

CFDA 84.268 - William D. Ford Federal Direct Loan Program (Direct Loan)

CFDA 93.108 - Health Education Assistance Loan Programs (HEAL)

CFDA 93.342 - Health Professions Student Loan (HPSL)

CFDA 93.364 - Nursing Student Loan (NSL)

CFDA 93.820 - Scholarship Program for First-Year Students of Exceptional Need (EFNS)

Other Clusters

## **PART 6 - INTERNAL CONTROL**

Introduction

- A. Activities Allowed or Unallowed
- B. Allowable Costs/Cost Principles (Same as Activities Allowed or Unallowed)
- C. Cash Management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and Real Property Management
- G. Matching, Level of Effort, Earmarking
- H. Period of Availability of Federal Funds
- I. Procurement and Suspension and Debarment
- J. Program Income
- K. Real Property Acquisition and Relocation Assistance
- L. Reporting
- M. Subrecipient Monitoring

## **PART 7 - GUIDANCE FOR AUDITING PROGRAMS NOT INCLUDED IN THIS COMPLIANCE SUPPLEMENT**

### **APPENDICES**

I. Federal Programs Excluded From the A-102 Common Rule

II. Federal Agency Codification of Certain Government-wide Grants Requirements

### III. Federal Agency Contacts for A-133 Audits

## **PART 1 - BACKGROUND, PURPOSE, AND APPLICABILITY**

### **BACKGROUND**

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Indian tribal governments that administer Federal financial assistance programs. In 1985, the Office of Management and Budget (OMB) issued OMB Circular A-128, "Audits of State and Local Governments," to provide implementing guidance. In 1990, OMB administratively extended the single audit process to non-profit organizations by issuing OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Organizations."

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996 (31 USC Chapter 75). The 1996 Amendments extended the statutory audit requirement to non-profit organizations and substantially revised various provisions of the 1984 Act. The final revisions to OMB Circular A-133 implement the 1996 Amendments, extend OMB Circular A-133's coverage to States, local governments, and Indian tribal governments, and rescind OMB Circular A-128.

This Compliance Supplement is based on the requirements of the 1996 Amendments and the final revision of OMB Circular A-133 which provide for the issuance of a compliance supplement to assist auditors in performing the required audits. The Senate and House Reports supporting the 1996 Amendments cited studies of the single audit process performed by the General Accounting Office, the President's Council on Integrity and Efficiency and the National State Auditors Association (NSAA). All three studies supported the need for a current compliance supplement. The NSAA study stated, "The Compliance Supplement provides an invaluable tool to both Federal agencies and auditors in setting forth the important provisions of Federal assistance programs. This tool allows Federal agencies to effectively communicate items which they believe are important to the successful management of the program and legislative intent . . . Such a valuable tool requires constant review and update."

This document serves to identify existing important compliance requirements which the Federal Government expects to be considered as part of an audit required by the 1996 Amendments. Without this Supplement, auditors would need to research many laws and regulations for each program under audit to determine which compliance requirements are important to the Federal Government and could have a direct and material effect on a program. Providing this Supplement is a more efficient and cost effective approach to performing this research. For the programs contained herein, this Supplement provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

## Appendix A

### OMB Circular A-133 Compliance Supplement - Provisional

This Supplement also provides guidance to assist auditors in determining compliance requirements relevant to the audit, audit objectives, and suggested audit procedures for programs not included herein. For single audits, this Supplement replaces agency audit guides and other audit requirement documents for individual Federal programs.

OMB Circular A-133 provides that Federal agencies are responsible to annually inform OMB of any updates needed to this Supplement. This responsibility includes ensuring that program objectives, procedures, and compliance requirements, noncompliance with which could have a direct and material effect on these individual Federal programs, are provided to OMB for inclusion in this Supplement, and that agencies keep current these program objectives, procedures, and compliance requirements (including statutory and regulatory citations). To facilitate agency efforts to meet this responsibility, Part 4 of this Supplement provides a stand-alone section for each program included in this Supplement which contains program objectives, program procedures, and compliance requirements. These individual sections can be updated or replaced as Federal programs change. Also, sections will be added for additional programs once the program objectives, program procedures, and compliance requirements relevant to the program are written.

#### **PURPOSE AND APPLICABILITY (Part 1)**

##### **Purpose**

This Supplement is effective for audits of fiscal years beginning after June 30, 1996, and supersedes the Compliance Supplements "Audits of States and Local Governments," issued in 1990, and "Audits of Institutions of Higher Education and Other Non-Profit Organizations," issued in 1991. It is intended to assist auditors in planning and performing audits in accordance with the requirements of the 1996 Amendments and OMB Circular A-133.

OMB Circular A-133 describes the non-Federal entity's responsibilities for managing Federal assistance programs (§ \_\_\_\_.300) and the auditor's responsibility with respect to the scope of audit (§ \_\_\_\_.500). This Supplement is intended to assist non-Federal entities and auditors in meeting their respective responsibilities.

##### **Applicability**

###### *General*

Auditors shall consider this Supplement and the referenced laws, regulations, and OMB Circulars (as codified by Federal agencies in agency regulations) in determining the compliance requirements that could have a direct and material effect on the programs included herein. For program-specific audits performed in accordance with a Federal agency's program-specific audit guide, the auditor shall follow such program-specific

## Appendix A

### OMB Circular A-133 Compliance Supplement - Provisional

audit guide. Finally, for major programs not included in this Supplement or the Housing Authority or Education programs (HUD and ED Interim Supplements) discussed below, the auditor shall follow the guidance in Part 7 and use the types of compliance requirements in Part 3 to identify the applicable compliance requirements which could have a direct and material effect on the program.

#### *Update of Requirements*

OMB Circular A-133 provides that Federal agencies are responsible to annually inform OMB of any updates needed to this Supplement. The heading of each page of this Supplement indicates the date as of which the information is current. However, auditors should recognize that laws and regulations change periodically and that delays will occur between such changes and revisions to this Supplement. Moreover, auditors should recognize that there may be provisions of contract and grant agreements that are unique to a particular non-Federal entity and, therefore, the specifics of such are not included in this Supplement (e.g., the grant agreement may specify a certain matching percentage; and a non-Federal entity may have agreed to additional requirements which are not required by law or regulation, perhaps as part of resolution of prior audit findings).

Accordingly, the auditor should perform reasonable procedures to ensure that compliance requirements are current. Reasonable procedures would be inquiry of non-Federal entity management and review of the contract and grant agreements for programs selected for testing (i.e., major programs) to determine whether the compliance requirements for such programs presented in Part 4 of this Supplement are current and whether there are any additional provisions of contract and grant agreements that should be covered by an audit under the 1996 Amendments.

#### *Responsibility for Other Requirements*

Although the focus of this Supplement is on compliance requirements that could have a direct and material effect on a major program, auditors also have responsibility under *Generally Accepted Government Auditing Standards* (GAGAS) for other requirements when specific information comes to the auditors' attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on a major program.

#### *HUD and ED Interim Supplements*

Two Federal agencies, the Departments of Housing and Urban Development (HUD) and Education (ED), have issued supplements to address the requirements of certain agency programs. These supplements provide guidance similar to that provided in Part 4 of this Supplement for programs included herein. A description of the HUD and ED supplements and the authoritative status of each are discussed below.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

*Housing Authorities* - Guidance for audits of Public and Indian Housing (PIH) Authorities is contained in the "Public and Indian Housing Compliance Supplement for Annual Audits of Public Housing Agencies and Indian Housing Authorities by Independent Auditors" (PIH Supplement). The PIH Supplement was developed by the HUD Office of Public and Indian Housing and the Office of Inspector General. It was originally issued in May 1995 and reissued in May 1996. For audits of PIH Authorities under OMB Circular A-133, the agency program requirements (which would otherwise be listed in Part 4 of this Supplement) are provided in the PIH Supplement. This supplement is currently available on the Internet at the HUD OIG Home Page (<http://www.hud.gov/oig/oigguide.html>) under the listing of "Audit Guides" or can be obtained by sending a fax to 202-401-3963.

*ED Programs* - In June 1996, ED published a Compliance Supplement which includes the compliance requirements and associated audit guidance for the following programs: (1) Title I Grants to Local Education Agencies (CFDA 84.010), (2) Migrant Education - Basic State Grant Program (84.011), (3) Eisenhower Professional Development State Grants (84.281), (4) Safe and Drug-Free Schools - State Grants (84.186), (5) Innovative Education Program Strategies (84.298), (6) Bilingual Education (84.288, 84.291, and 84.290), and (7) Impact Aid (84.041). The Title I (CFDA 84.010) program is also included in Part 4 of this Supplement. Each of the other ED programs ultimately will be included. In the interim, for audits under OMB Circular A-133, the agency program requirements (which would otherwise be listed in Part 4 of this Supplement) are provided in the ED Supplement. However, when Title I (84.010) is a major program and none of the other ED programs listed above are major programs, the guidance listed in Part 4 of this Supplement should be used for audits of Title I. This interim supplement is currently available on the Internet at the ED/OIG Non-Federal Audit Team Home Page (<http://home.gvi.net/~edoig/>) under the listing for "Compliance Supplement for ESEA Programs". ASCII Text or WordPerfect 5.2 formats are available. A copy may also be requested by sending a fax to the ED/OIG Non-Federal Team at 202-205-8238.

## **OVERVIEW OF THIS SUPPLEMENT**

### **Matrix of Compliance Requirements (Part 2)**

The Matrix of Compliance Requirements (Matrix) identifies the Federal programs and compliance requirements addressed by this Supplement and associates the programs with the applicable compliance requirements. The Matrix also identifies the applicable Federal agency and Catalog of Federal Domestic Assistance (CFDA) number for each program included in this Supplement.

### **Compliance Requirements (Part 3)**

Part 3 lists and describes the 14 types of compliance requirements and the related audit objectives that the auditor shall consider in every audit conducted under OMB

## Appendix A

### OMB Circular A-133 Compliance Supplement - Provisional

Circular A-133 with the exception of program-specific audits performed in accordance with a Federal agency's program-specific audit guide. Suggested audit procedures are also provided to assist the auditor in planning and performing tests of non-Federal entity compliance with the requirements of Federal programs. Auditor judgment will be necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objectives and whether additional or alternative audit procedures are needed. Determining the nature, timing, and extent of the audit procedures necessary to meet the audit objectives is the auditor's responsibility.

Because of the diversity of systems in place among non-Federal entities, Part 3 does not include suggested audit procedures to test internal control. The auditor must determine appropriate procedures to test internal control on a case by case basis considering factors such as the non-Federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in OMB Circular A-133.

The compliance requirements for Special Tests and Provisions are unique to each Federal program; therefore, compliance requirements, audit objectives, and suggested audit procedures for Special Tests and Provisions are not included in Part 3.

#### **Agency Program Requirements (Part 4)**

For each Federal program included, Part 4 discusses program objectives, program procedures, and compliance requirements which are specific to the program. With the exception of Special Tests and Provisions, the auditor shall refer to Part 3 for the audit objectives and suggested audit procedures that pertain to the compliance requirements associated with the programs. Since Special Tests and Provisions are unique to the program, the audit objectives and suggested audit procedures for the program are included in Part 4.

The description of program procedures is general in nature. Some programs may operate somewhat differently than described due to: (1) the complexity of governing Federal and State laws and regulations; (2) the administrative flexibility afforded non-Federal entities; and, (3) the nature, size, and volume of transactions involved. Accordingly, the auditor should obtain an understanding of the applicable compliance requirements and program procedures in operation at the non-Federal entity to properly plan and perform the audit.

#### **Clusters of Programs (Part 5)**

A cluster of programs is a grouping of closely related programs that have similar compliance requirements. The types of clusters are: Research and Development (R&D), Student Financial Aid (SFA), and other clusters. "Other clusters" are as identified in this Supplement or designated in a State award document.



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

A cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133 (§\_\_.105). Part 5 provides compliance requirements, audit objectives, and suggested audit procedures for R&D and SFA clusters and lists other clusters.

In planning and performing the audit, the auditor should determine whether programs administered by the non-Federal entity are part of a cluster by referring to the provisions of Part 5 of this Supplement and the State award documents.

**Internal control (Part 6)**

As a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned. Part 6 is intended to assist non-Federal entities and their auditors in complying with these requirements by presenting characteristics of internal control which may be used to reasonably ensure compliance with the types of compliance requirements in Part 3. The characteristics of internal control presented in Part 6 are neither mandatory nor all inclusive.

**Guidance for Auditing Programs Not Included in this Compliance Supplement (Part 7)**

Part 7 provides guidance to auditors in identifying the compliance requirements and designing tests of compliance with such requirements for programs not included in this Supplement.

**Federal Programs Excluded from the A-102 Common Rule (Appendix I)**

This Appendix lists block grants and entitlement programs excluded from the requirements of the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (also known as the "A-102 Common Rule").

**Federal Agency Codification of Certain Government-wide Grants Requirements (Appendix II)**

## Appendix A

### OMB Circular A-133 Compliance Supplement - Provisional

This Appendix provides regulatory citations and Federal agencies' codification of the A-102 Common Rule and OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," in agency regulations. Some agencies have not yet codified the November 1993 revision to OMB Circular A-110 but either are in the process of doing so or have provided such policies to grantees through other means such as grant agreements.

### **Federal Agency Contacts for A-133 Audits (Appendix III)**

This Appendix identifies Federal agency contacts from which auditors can request information or materials about Federal programs or the audit requirements of OMB Circular A-133.

### **Page Numbering Scheme**

The following page numbering scheme is used in this Supplement to facilitate future revisions.

Each page included in Parts 1, 2, 3 (introduction), 6 (introduction), and 7 is identified by a label that represents the part number and sequential page number. A dash (-) separates the part number from the page number. For example, Part 1 is numbered as follows: 1-1, 1-2, 1-3, and so on.

Each page included in Parts 3 (excluding introduction), 4, 5, and 6 (excluding introduction) is identified by a label that represents the part number, section number identifier, and sequential page number. For example, Section A of Part 3 is numbered 3-A-1, 3-A-2, 3-A-3, and so on. The section number identifier for Part 4 represents the CFDA number of the applicable program. For example, the Department of Labor (DOL) Unemployment Insurance program, CFDA number 17.225, is numbered 4-17.225-1, 4-17.225-2, 4-17.225-3, and so on.

### **HOW TO OBTAIN ADDITIONAL GUIDANCE**

Guidance to assist auditors in performing audits in accordance with OMB Circular A-133 can be obtained from the following sources.

#### **Office of Management and Budget**

OMB Home Page on the Internet (<http://www.whitehouse.gov/WH/EOP/omb>) under a section in the OMB documents list called "Grants Management."

- OMB publications, including OMB Circulars and this Supplement for audits under OMB Circular A-133.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- "Data Collection Form" which accompanies audit reports submitted in accordance with OMB Circular A-133.
- Federal agency implementation of the Grants Management Common Rule (A-102 Common Rule) and OMB Circular A-110.

OMB Fax Information Line - Telephone: (202) 395-9068:

- OMB publications of less than 50 pages.

Office of Administration:  
Publications Office, Room 2200  
New Executive Office Building  
Washington, DC 20503  
Telephone: (202) 395-7332

- OMB publications.

**General Services Administration (GSA)**

Federal Domestic Assistance Catalog Staff (MVS)  
General Services Administration  
Ground Floor, Reporters Building  
300 7th Street, S.W., Washington, DC 20407  
Telephone: (202) 708-5126

- Catalog of Federal Domestic Assistance (CFDA).

A searchable copy of the CFDA is available through the Internet on the GSA Home Page (<http://www.gsa.gov/fdac>). The CFDA is also available in hard copy (from the Government Printing Office), and on machine-readable magnetic tape, high-density floppy diskettes, and CD-ROM (from GSA).

**Government Printing Office (GPO)**

Superintendent of Documents  
P.O. Box 371954  
Pittsburgh, PA 15250-7954  
Telephone: (202) 512-1800

- Catalog of Federal Domestic Assistance.
- Government Auditing Standards (stock number 020-000-00-265-4).

**Inspectors General**

IGnet Home Page on the Internet (<http://www.sba.gov/ignet>).

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Inspector General Directory.
- Government Auditing Standards.
- Inspector General Act.
- Single Audit Home Page.
- Virtual Library.

## **PART 2 - MATRIX OF COMPLIANCE REQUIREMENTS**

### **INTRODUCTION**

The boxes for each type of compliance requirement will either contain a "Y" (for yes if the type of compliance requirement may apply) or be shaded (if the program normally does not have activity subject to this type of compliance requirement). Even though a "Y" indicates that the compliance requirement applies to the Federal program, it may not apply at a particular non-Federal entity because that entity does not have activity subject to that type of compliance requirement or the activity could not materially effect a major program. For example, Real Property Acquisition/Relocation Assistance would not apply if the non-Federal entity did not acquire real property covered by the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Similarly, a "Y" may be included under "Procurement;" however, the audit would not be expected to address this type of compliance requirement if the non-Federal entity charges only small amounts of purchases to a major program.

When a "Y" is present on the matrix, the auditor should use Part 3, Compliance Requirements, and Part 4, Agency Program Requirements, in planning and performing the tests of compliance. For example, if a program entry in the matrix includes a "Y" in the Program Income column, Part 3 provides overall guidance on testing program income. Part 4 may also include specific information on program income criteria pertaining to the program, such as restrictions on how program income may be used. Part 6, Internal Control, may be useful in assessing control risk and designing tests of internal control with respect to each applicable compliance requirement.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

CFDA	Types of Compliance Requirements													
	A.	B.	C.	D.	E.	F.	G.	H.	I.	J.	K.	L.	M.	N.
10 - United States Department of Agriculture (USGA)														
10.551	Y	Y	Y		See Part 4	Y	Y	Y	Y			Y	Y	Y
10.561	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
10.557	Y	Y	Y			Y	Y		Y	Y	Y		Y	Y
14 -- Department of Housing and Urban Development (HUD)														
14.182		Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y
14.855		Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y
14.856		Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y
14.857		Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y
14.218	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
14.219	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
14.228	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
14.231	Y	Y	Y			Y	Y	Y	Y	Y	Y	Y	Y	Y
14.235	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.238	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.239	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.241	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
14.862	Y	Y	Y			Y	Y	Y	Y	Y	Y	Y	Y	Y
17 -- Department of Labor (DOL)														
17.225	Y	Y	Y		Y	Y	Y	Y	Y			Y		Y
20 -- Department of Transportation (DOT)														
20.106	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
20.205	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
83 -- Federal Emergency Management Administration (FEMA)														
83.516	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y
84 -- Department of Education (ED)														
84.01	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
84.032	See Part 4											Y		Y
93 -- Department of Health and Human Services (HHS)														
93.775	Y	Y	Y		Y		Y	Y	Y	Y		Y	Y	Y
93.777	Y	Y	Y		Y		Y	Y	Y	Y		Y	Y	Y
93.778	Y	Y	Y		Y		Y	Y	Y	Y		Y	Y	Y
Clusters of Programs														
R&D	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
SFA	Y		Y		Y		Y	Y	Y	Y		Y	Y	Y

*Legend:*

Y -- Yes, this type of compliance requirement may apply to the Federal program.

-- An empty box indicates the program normally does not have activity subject to this type of compliance requirement.

## **PART 3 - COMPLIANCE REQUIREMENTS**

### **INTRODUCTION**

The objectives of most compliance requirements for Federal programs administered by States, local governments, Indian tribal governments, and non-profit organizations are generic in nature. For example, most programs have eligibility requirements for individuals or organizations. While the criteria for determining eligibility vary by program, the objective of the compliance requirement that only eligible individuals or organizations participate is consistent across all programs.

Rather than repeat these compliance requirements, audit objectives, and suggested audit procedures, for each of the programs contained in Part 4 - Agency Program Requirements, they are provided once in this part. For each program in this Compliance Supplement (this Supplement), Part 4 contains additional information about the compliance requirements that arise from laws and regulations applicable to each program, including the requirements specific to each program that should be tested using the guidance in this part.

### **Administrative Requirements**

The administrative requirements that apply to most programs arise from two sources: the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (also known as the "A-102 Common Rule") and OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, " and the agencies' codification of OMB Circular A-110. The applicable guidance followed depends on the type of organization undergoing audit. Other administrative compliance requirements unique to a single program or a cluster of programs, are provided in the Special Tests and Provisions section of Part 4.

### **State, Local, and Indian Tribal Governments**

Government-wide guidance for administering grants and cooperative agreements to States, local governments, and Indian tribal governments is contained in the A-102 Common Rule which was codified by each Federal funding agency in its volume of the *Code of Federal Regulations*. The A-102 Common Rule section numbers are referred to without the Federal agency's part number (e.g., §\_\_\_\_.37 would refer to sections in all agency regulations). This allows auditors to refer to the same section numbers when discussing administrative issues with different Federal funding agencies.

These requirements apply to all grants and subgrants to governments, except where they are inconsistent with Federal statutes or with regulations authorized in accordance with the exception provision of the A-102 Common Rule. Block grants authorized by the

## Appendix A OMB Circular A-133 Compliance Supplement - Provisional

Omnibus Budget Reconciliation Act of 1981 and several other specifically identified grants or payment programs are exempted from the A-102 Common Rule. Appendix I to this Compliance Supplement lists legislation and programs where exclusions exist.

In some cases the A-102 Common Rule permits States to follow their own laws and procedures, e.g., when addressing equipment management. These are noted in the sections that follow. The auditor will have to refer to an individual State's rules in those situations.

The basic cost principles applicable to State, local, and Indian tribal governments can be found in OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

### **Non-Profit Organizations**

The major source of requirements applicable to non-profit organizations is OMB Circular A-110. The provisions of OMB Circular A-110 are codified in agency regulations, generally following the section numbers in the circular. The OMB Circular A-110 section numbers are referred to similar to the A-102 Common Rule references. However, unlike the A-102 Common Rule, agencies with OMB approval, could modify certain provisions of A-110 to meet their special needs. OMB Circular A-110 states "Federal agencies responsible for awarding and administering grants . . . shall adopt the language in the circular unless different provisions are required by Federal statute or are approved by OMB." Subpart A, §\_\_\_\_.4, of OMB Circular A-110 states that "Federal awarding agencies may apply more restrictive requirements to a class of recipients when approved by OMB." Federal awarding agencies may apply less restrictive requirements when awarding small awards, except for those requirements which are statutory. Exceptions on a case-by-case basis may also be made by Federal awarding agencies.

Appendix II to this supplement contains a list of agencies that have codified OMB Circular A-110 and the CFR citations for these codifications.

The cost principles applicable to non-profit organizations can be found in OMB Circulars:

A-21 "Cost Principles for Educational Institutions"

A-122 "Cost Principles for Non-Profit Organizations"

### **Subrecipients**

Governmental subrecipients are subject to the provisions of the A-102 Common Rule. However, the A-102 Common Rule permits States to impose their own requirements on their governmental subrecipients, e.g., equipment management or procurement. Thus,

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

in some circumstances, the auditor may need to refer to State rules and regulations rather than Federal requirements.

All non-profit subrecipients, regardless of the type of organization making the subaward, shall follow the provisions of OMB Circular A-110 as implemented by the agency when awarding or administering subgrants except under block grants authorized by the Omnibus Budget Reconciliation Act of 1981 and the Job Training Partnership Act where State rules apply instead.

### **Compliance Requirements, Audit Objectives, and Suggested Audit Procedures**

Auditors shall consider the compliance requirements and related audit objectives in Parts 3 and Part 4 (for programs included in this Supplement) in every audit of non-Federal entities conducted under OMB Circular A-133 with the exception of program-specific audits performed in accordance with a Federal agency's program-specific audit guide. In making a determination not to test a compliance requirement, the auditor must conclude that the requirement either does not apply to the particular non-Federal entity or that noncompliance with the requirement could not have a material effect on a major program (e.g., the auditor would not be expected to test Procurement if the non-Federal entity charges only small amounts of purchases to a major program).

The suggested audit procedures are provided to assist auditors in planning and performing tests of non-Federal entity compliance with the requirements of Federal programs. Auditor judgment will be necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objective and whether additional or alternative audit procedures are needed.

The suggested procedures are in lieu of specifying audit procedures for each of the programs included in this Supplement. This approach has several advantages. First, it provides guidelines to assist auditors in designing audit procedures that are appropriate in the circumstance. Second, it helps auditors develop audit procedures for programs that are not included in this Supplement. Finally, it simplifies future updates to this Supplement.

### **Internal Control**

Because of the diversity of systems in place among non-Federal entities, Part 3 does not include suggested audit procedures to test internal control. The auditor must determine appropriate procedures to test internal control on a case by case basis considering factors such as the non-Federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in OMB Circular A-133.



## **A. ACTIVITIES ALLOWED OR UNALLOWED**

### **Compliance Requirements**

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in the Compliance Supplement, the specific requirements can be found in Part 4. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

### **Audit Objectives**

Determine whether Federal awards were expended only for allowable activities.

### **Suggested Audit Procedures**

1. *Allowability of Specific Transactions and Activities*
  - a. Identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.
  - b. When allowability is determined based upon summary level data, perform procedures to verify that:
    1. Activities were allowable.
    2. Individual transactions were properly classified and accumulated into the activity total.
  - c. When allowability is determined based upon individual transactions, select a sample of transactions and perform procedures to verify that the transaction was for an allowable activity.
  - d. The auditor should be alert for large transfers of funds from program accounts which may have been used to fund unallowable activities.

2. *Allowable Activities for Subrecipients*

(This requirement only applies to pass-through entities)

Test a sample of approved subrecipient agreements to verify that the activities covered by the agreement were allowable.

## **B. ALLOWABLE COSTS/COST PRINCIPLES**

### **Applicability of OMB Cost Principles Circulars**

The following OMB cost principles circulars prescribe the cost accounting policies associated with the administration of Federal awards by non-profit organizations, States, local governments, and Indian tribal governments. However, for block grants authorized by the Omnibus Budget Reconciliation Act of 1981 and the Job Training Partnership Act, State rules for expenditures of State funds apply (Appendix 1). Federal awards include Federal programs and cost-type contracts and may be in the form of grants, contracts, and other agreements.

- OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments"
- OMB Circular A-21, "Cost Principles for Educational Institutions"
- OMB Circular A-122, "Cost Principles for Non-Profit Organizations"

All institutions of higher education are subject to the cost principles contained in OMB Circular A-21. States, local governments, and Indian tribal governments are subject to OMB Circular A-87. Non-profit organizations are subject to OMB Circular A-122, except those non-profit organizations listed in Attachment C of OMB Circular A-122. These non-profit organizations are not subject to OMB Circular A-122 but are subject to the standards issued by the Cost Accounting Standards Board (48 CFR part 99) and the commercial cost principles contained in the Federal Acquisition Regulation (FAR).

Federal awards administered by publicly-owned hospitals and other providers of medical care are exempt from OMB's cost principles circulars, but are subject to requirements promulgated by the sponsoring Federal agencies (45 CFR part 74, appendix E).

The cost principles applicable to a non-Federal entity apply to all Federal awards received by the entity, regardless of whether the awards are received directly from the Federal Government or indirectly through a pass-through entity.

The circulars describe selected cost items, allowable and unallowable costs, and standard methodologies for calculating indirect costs rates (e.g., methodologies used to recover facilities and administrative costs (F&A) at institutions of higher education).

The cost principles articulated in the three circulars are in most cases substantially identical but a few differences do exist. These differences are necessary because of the nature of the Federal/State/local/non-profit organization relationship, programs administered, and breadth of services offered by some grantees and not others. Exhibit 1, Selected Cost Items Not Treated the Same Among the Circulars, lists selected cost items for which treatment are not substantially identical among the cost principles

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

circulars. Exhibit 2, Selected Unallowable Cost Items, lists selected items that are unallowable in one or more of the cost principles circulars.

**Compliance Requirements - Allowability of Costs - General Criteria (applicable to both direct and indirect costs)**

The general criteria affecting allowability of costs under Federal awards are:

- Costs must be reasonable and necessary for the performance and administration of Federal awards.
- Costs must be allocable to the Federal awards under the provisions of OMB's cost principles circulars. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objective in accordance with relative benefits received.
- Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the Federal award as an indirect cost.
- Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements or other governing regulations as to types or amounts of cost items.
- Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.
- Costs must be documented in accordance with OMB Circular A-110 for non-profit organizations or the A-102 Common Rule for State, local and Indian Tribal governmental units.

**Compliance Requirements - Indirect Costs**

Indirect costs are those costs that benefit common activities and, therefore, cannot be readily assigned to a specific direct cost objective or project.

In order to recover indirect costs, organizations must prepare cost allocation plans (CAPs) which apply only to States, local and Indian tribal governments or indirect cost rate proposals (IDCRPs) in accordance with the guidelines provided in OMB's circulars. States, major local governments, Indian tribal governments, institutions of higher education, and non-profit organizations must submit CAPs or IDCRPs to the Federal

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

cognizant agency for indirect cost negotiation for approval. Other organizations, such as smaller local governments, must prepare the appropriate CAPs or IDCRCs and maintain them on file for review. These other organizations may use the allocation methods and indirect cost rate maintained on file for cost recovery.

At institutions of higher education, indirect costs include the following categories: building and equipment depreciation or use allowance, operation and maintenance expenses, interest expenses, general administrative expenses, departmental administration expenses, library expenses, and student administration expenses.

At non-profit organizations, indirect costs generally include general administrative costs (e.g., the president's office, payroll, general accounting) and facility costs (e.g., rental costs, operations and maintenance, interest expense) that are not treated as direct costs.

The indirect cost proposals prepared by institutions of higher education and other non-profit organizations are based on the most current financial data supported by the organization's accounting system and audited financial statements. These indirect cost proposals can be used to either establish predetermined or fixed indirect cost rates, or to establish or finalize provisional rates.

There are three types of plans/proposals submitted by States, local governments, and Indian tribal governments:

1. *State and Local Government-wide CAPs* - These plans are used to allocate service center costs (or Section I costs) to individual departments and agencies and describe the methods used for charging billed costs (or Section II costs) to individual user organizations or activities.
2. *Department or Local IDCRC* - These rate proposals combine the billed and allocated costs from the State-wide or local-wide plan with departmental or local level indirect costs and compute an indirect cost rate to be used in charging indirect costs to individual programs and activities.
3. *Public Assistance CAPs* - These CAPs describe the methods for allocating State-wide or local-wide allocated and/or billed indirect costs and departmental indirect, administrative, and operating costs of State or local welfare or human services organizations to the Medicaid, Food Stamps and welfare programs, etc. These plans are required by the terms of 45 CFR part 95, which incorporates OMB Circular A-87 by reference, and they must be revised and resubmitted to the Federal Government whenever an organizational or programmatic change invalidates the currently-approved allocation method.

At States, local governments, and Indian tribal governments, indirect costs are accumulated at two levels: the State/local-wide level and the department/agency level.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

At the State/local-wide level, indirect costs include: (1) central service costs that are allocated (referred to as Section I costs, which typically include general accounting, personnel, and purchasing); and (2) central service costs that are billed (referred to as Section II costs, which typically include computer services, motor pool, insurance, and fringe benefits). Certain costs, such as facilities and operations and maintenance, can be classified as Section I or Section II costs by State/local governments.

At State or local governmental departments or agencies, where Federal awards are usually carried out, indirect costs normally include the facilities and administrative costs of each department or agency and the allocated central service costs distributed through the State/local-wide CAP. Additionally, Section II costs are direct charges to these departments or agencies. As such, these direct billings may be charged directly to Federal awards or be included in the department or agency indirect cost pools.

CAPs are comprised of two parts: a narrative section that describe the service cost center and allocation methodologies, and a mathematical allocation of these service center costs to the user departments using the described allocation methods. CAPs and IDCRCs prepared by States, local governments, and Indian tribal governments usually are prepared on a prospective basis using actual financial data for a prior year or budget data for the current year. When the actual costs for the year covered by the CAP (or a rate agreement with respect to a fixed rate) are determined, the difference between the costs recovered based on the CAP (or rate agreement) and the costs that would have been recovered had the CAP or rate agreement been based on actual results is either carried forward to a subsequent CAP or IDCRC or used to adjust individual awards on a retroactive basis, with the approval of the Federal cognizant agency for indirect cost negotiation.

Three different types of indirect cost rates can be used by the Federal cognizant agency for indirect cost negotiation: predetermined, fixed, and provisional/final. Predetermined rates are established for the current or multiple future period(s) based on current data (usually data from the most recently ended fiscal year, known as the base period). Predetermined rates are not subject to adjustment, except under very unusual circumstances. Fixed rates are based on current data in the same manner as predetermined rates, except that the difference between the costs of the base period used to establish the rate and the actual costs of the current period is carried forward as an adjustment to the rate computation for a subsequent period. Provisional rates are temporary rates used for funding and billing indirect costs, pending the establishment of a final rate for a period.

### **Special Compliance Requirements - Institutions of Higher Education**

OMB Circular A-21 requires institutions of higher education that receive more than \$25 million in Federal funding in a fiscal year to prepare and submit a Disclosure Statement (DS-2) that describes the institution's cost accounting practices. These institutions are required to submit a DS-2 within six months after the end of the institution's fiscal year

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

that begins after May 8, 1996, unless the institution is required to submit a DS-2 earlier due to a receipt of a cost accounting standard (CAS) covered contract in accordance with 48 CFR section 9903.202-1.

These institutions are responsible for maintaining an accurate DS-2 and complying with disclosed cost accounting practices. They are also responsible for filing amendments to the DS-2 when disclosed practices are changed or modified.

**Audit Objectives (Direct and Indirect Costs)**

Determine whether the organization complied with the provisions of the applicable OMB cost principles circulars (OMB Circulars A-87, A-21, A-122) as follows:

1. Direct charges to Federal awards were for allowable costs.
2. Charges to cost pools used in calculating indirect cost rates were for allowable costs.
3. For States, local governments, and Indian tribal governments, charges to cost pools allocated to Federal awards through CAPs were for allowable costs.
4. The methods of allocating the costs are in accordance with the applicable provisions of the cost principles circulars and produce an equitable distribution of costs (e.g., cost allocation bases include all allowable and unallowable base costs to which allowable indirect costs are allocable and the cost allocation methodology complies with the applicable cost principles and provides equitable and consistent allocation of indirect costs to benefiting cost objectives).
5. Indirect cost rates were applied in accordance with approved rate agreements and associated billings were the result of applying the approved rate to the proper base amount(s).
6. For States, local governments, and Indian tribal governments, cost allocations were in accordance with CAPs approved by the Federal cognizant agency for indirect cost negotiation or, in cases where such plans are not subject to approval, in accordance with the plan on file.
7. Cost accounting practice disclosures, described in the DS-2, represented actual practice consistently applied (only applies to institutions of higher education that are required to submit the DS-2).

**Suggested Audit Procedures (Direct and Indirect Costs)**

*General*

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

1. The following procedures apply to direct charges to Federal awards as well as to charges to cost pools that are allocated wholly or partially to Federal awards or used in formulating indirect cost rates used for recovering indirect costs from Federal awards. If the auditor identifies unallowable costs, the auditor should be aware that "directly associated costs" may have been charged. Directly associated costs are costs incurred solely as a result of incurring another cost, and would not have been incurred if the other cost had not been incurred. For example, fringe benefits are "directly associated" with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable.

Test a sample of transactions for conformance with the following criteria contained in the "Basic Guidelines" section of applicable OMB cost principles circulars.

- a. For State and local governments, authorized or not prohibited under State or local laws or regulations.
- b. Approved by the Federal awarding agency, if required.
- c. Conform with the allowability of costs provisions of applicable OMB cost principles, or limitations in the program agreement, program regulations, or program statute.
- d. Conform with the allocability provisions of applicable OMB cost principles circulars.
- e. Represent charges for actual costs, not budgeted or projected amounts.
- f. With respect to fringe benefit allocations, charges, or rates, such allocations, charges, or rates are based on the benefits received by different classes of employees within the organization.
- g. Applied uniformly to Federal and non-Federal activities.
- h. Given consistent accounting treatment within and between accounting periods. Consistency in accounting requires that costs incurred for the same purpose, in like circumstances, be treated as either direct costs only or indirect costs only with respect to final cost objectives.
- i. Calculated in conformity with generally accepted accounting principles or another comprehensive basis of accounting, when required under the cost principles circulars. Costs for post-employment benefits must be funded to be allowable.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- j. Not included as a cost or used to meet cost sharing requirements of other federally-supported activities of the current or a prior period.
- k. Net of all applicable credits, e.g., volume or cash discounts, insurance recoveries, refunds, rebates, trade-ins, and scrap sales.
- l. Not included as both a direct billing and as a component of indirect costs, e.g., excluded from cost pools included in CAPs and/or IDCRRPs, if charged directly to Federal awards.
- m. Supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, and time and attendance records, and correctly charged as to account, amount, and period. Documentation requirements for salaries and wages, and time and effort distribution are described in applicable OMB cost principles circulars. Documentation may be in an electronic form.

*Internal service, central service, pension, or similar activities or funds*

- 2. When material charges are made from internal service, central service, pension, or similar activities or funds, the auditor should verify that the charges from these activities or funds are in accordance with the OMB cost principles circulars. The auditor should consider procedures, such as:
  - a. For activities accounted for in separate funds, ascertain if: (1) retained earnings/fund balances (including reserves) were computed in accordance with the applicable cost principles; (2) working capital was not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs and debt principal costs); and, (3) refunds were made to the Federal Government for its share of any amounts transferred or borrowed from internal service or central service funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund.
  - b. Test that all users of services are billed in a consistent manner.
  - c. Test that billing rates exclude unallowable costs, in accordance with applicable cost principles.
  - d. Test, where activities are not accounted for in separate funds, that billing rates (or charges) are developed based on actual costs and were adjusted to eliminate profits.



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- e. For organizations that have self-insurance and a certain type of fringe benefit programs (e.g. pension funds), ascertain if independent actuarial studies appropriate for such activities are performed at least biennially and that current period costs were allocated based on an appropriate study which is not over two years old.

*IDCRP (Testing of the plan)*

- 3. The IDCRP is based upon costs charged to cost pools representing costs of a base year. The base year often precedes the year in which the IDCRP is prepared and the year the resulting Indirect Cost Rate Agreement (IDCRA) is used to charge indirect costs. For example, a non-Federal entity may submit an IDCRP in January 1998, based upon costs incurred and charged to cost pools during fiscal year ending June 30, 1997 (1997), the base year. The resulting IDCRA negotiated during year ending June 30, 1998 (1998) would be used as the basis for charging indirect costs to Federal awards in the year ended June 30, 1999 (1999). For this example, the term IDCRA will also include an IDCRP which is not required to be submitted to the Federal agency for indirect cost negotiation but is retained on file and is used to charge indirect costs to Federal awards the same as an approved plan resulting in an IDCRA.

An audit timing consideration is that the audit for 1997 (which covers the applicable cost pools) may be completed before the IDCRP is submitted. Therefore, as part of the 1997 audit, the auditor cannot complete testing of the IDCRP. Also, if the auditor waits to test the IDCRP until 1999 (the year when this IDCRP is first used to charge Federal awards), the auditor would be testing 1997 records which would then be two years old.

Continuing this example, when the IDCRA is the basis for material charges to a major program in 1999, the auditor for 1999 is required to obtain appropriate assurance that the costs collected in the cost pools and allocation methods are in compliance with the applicable cost principles circulars. The following are some acceptable options the auditor may use to obtain this assurance:

- Perform interim testing of the costs charged to cost pools (e.g., determine from management the cost pools that management expects to include in the IDCRP and test the costs charged to those pools for compliance with the cost principles circulars) during the 1997 audit. As part of the 1998 audit, complete testing and verify management's representation against the IDCRP finally submitted in 1998.
- Test costs charged to the cost pools underlying the IDCRP during the audit of 1998, the year immediately following the base year. This would require testing of 1997 transactions.
- Wait until 1999, the year in which charges from the IDCRA are material to a major program and test costs charged to cost pools (1997) used to prepare the IDCRP. This

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

is a much more difficult approach because it requires going back two years to audit the cost charged to cost pools of the base year.

Advantages of the first two methods are that the testing of the costs charged to the cost pools occurs closer to the time when the transactions occur (which makes the testing easier to perform) and should there be audit exceptions, corrective action may be taken earlier to minimize questioned costs (which makes audit exceptions easier to resolve). When material indirect costs are charged to any Type A program (determined in accordance with Circular A-133), auditors are strongly encouraged to use one of the first two methods. This is because under the risk-based approach, described in OMB Circular A-133, all Type A programs are required to be considered major programs at least once in every three years and the IDCRA is usually used to charge Federal awards for at least three years.

When the auditee submits the IDCRP, the auditee provides written assurances to the Federal government that the plan includes only allowable costs. Accordingly, any material unallowable costs reflected in the IDCRP should be reported as an audit finding in the year in which they are first found by audit.

An IDCRP may result in an IDCRA that covers only one year, but most often results in a multi-year IDCRA. When an IDCRP has been tested in a prior year and this testing provides the auditor appropriate audit assurance, in subsequent years the auditor is only required to perform tests to ascertain if there have been material changes to the cost accounting practices and, if so, that the Federal cognizant agency for indirect cost negotiation has been informed.

The auditor should take appropriate steps to coordinate testing of costs charged to cost pools supporting an IDCRP with the auditee and, as appropriate, with the Federal cognizant agency for indirect cost negotiation. **The auditor should consult with the auditee in the base year and the year in which the IDCRP is submitted to determine the best (e.g., most efficient) alternative under the circumstances.**

The following procedures are applicable when material charges are made to a major program based upon an IDCRP:

- a. Ascertain if the IDCRP has been tested in a prior year.
  - (1) When the testing performed in a prior year provides appropriate audit assurance, further review of the IDCRP is not required unless there have been material changes to cost accounting practices supporting the IDCRP. To ascertain if there have been material changes, the auditor should inquire of auditee management as to whether any changes have been made to the cost accounting practices and the likely effect of these changes.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- (2) When the auditor believes the changes in cost accounting practices are material, and the auditee is required to file the IDCPR with a Federal cognizant agency for indirect cost negotiation, the auditor should ascertain if the Federal cognizant agency for indirect cost negotiation has been appropriately notified of the changes in cost accounting practices. For colleges and universities that are required to file a DS-2, this testing is performed in Step 6 "DS-2 Requirements."

*When prior testing of the IDCPR does not provide appropriate audit assurance (e.g., was not performed).*

- b. Test the cost pools which form the basis of the IDCPR and the resulting charges to Federal awards to ascertain if they include only allowable costs in accordance with the applicable OMB cost principles circulars. Suggested audit procedure number 1 provides guidance for specific tests.
- c. Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of the cost principles circulars and produce an equitable distribution of costs. Appropriate detailed tests may include:
  - (1) Test statistical data (e.g., square footage, case counts, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.
  - (2) Review time studies or time and effort reports (where and if used) to ascertain if they are mathematically and statistically accurate, are implemented as approved, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged.
  - (3) Review the allocation methodology for consistency and test the appropriateness of methods used to make changes.

*CAP (Testing of the plan)*

4. Since costs allocated through CAPs may include current year and prior year costs, the auditor should test the costs charged to cost pools supporting CAPs and the methods of allocating costs from CAPs in each year when these costs are material to a major program.

The auditor should consider the following procedures:

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- a. Test the cost pools which form the basis of the CAP and the resulting charges to Federal awards to ascertain if they include only allowable costs in accordance with the applicable OMB cost principles circulars. Suggested audit procedure number 1 provides guidance for specific tests.
- b. Test the methods of allocating the costs to ascertain if they are in accordance with the applicable provisions of the cost principles circulars and produce an equitable distribution of costs. Appropriate detailed tests may include:
  - (1) Test statistical data (e.g., square footage, case counts, salaries and wages) to ascertain if the proposed allocation or rate bases are reasonable, updated as necessary, and do not contain any material omissions.
  - (2) Review time studies or time and effort reports (where and if used) to ascertain if they are mathematically and statistically accurate, are implemented as approved, and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged.
  - (3) Review the allocation methodology for consistency and test the appropriateness of methods use to make charges changes.

*IDCRA and CAPs (Testing of charges based upon plans)*

- 5. Perform the following procedures to test the application of charges to Federal awards based upon an IDCRA and a CAP.
  - a. Ascertain if material indirect costs or centralized or administrative services costs were allocated or charged to a major program. If not, the following suggested audit procedures b through e do not apply.
  - b. Obtain and read the current IDCRA and/or CAP and determine the terms in effect.

*Indirect Cost Rate Agreements*

- c. Select a sample of claims for reimbursement and verify that the rates used are in accordance with the rate agreement, that rates were applied to the appropriate bases, and that the amounts claimed were the product of applying the rate to the applicable base.

*Public Assistance CAPs (for States, local governments, and Indian tribal governments only)*

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- d. Verify that the methods of charging costs to Federal awards are in accordance with the provisions of the approved CAP or prepared CAP on file.

*State and Local Government-Wide CAPs*

- e. Ascertain if the amounts used for reimbursement of central service costs for Federal awards were in accordance with the approved CAPs or plans on file, when approval is not required.

*DS-2 Requirements (For applicable institutions of higher education only)*

- 6. Perform the following procedures for the DS-2
  - a. Read the DS-2 and its amendments and ascertain if the disclosures agree with the policies prescribed in the institution's policies and procedures documents.
  - b. Test that the disclosures agree with actual practices for the period covered by audit, including whether the practices were consistent throughout the period.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

**COMPARISON AMONG OMB COST PRINCIPLES CIRCULARS**

The following two exhibits provide comparisons between the OMB cost principles circulars. Exhibit 1 lists selected cost items for which treatment are not substantially identical among the three circulars. Exhibit 2 lists selected items that are unallowable in one or more of the cost principles circulars.

For several of the selected cost items, changes have already been proposed in OMB Circular A-122 to be consistent with OMB Circulars A-87 or A-21. Auditors should be alert for when these changes are finalized and effective. In addition, several cost items are unique to one type of entity and not to other entities (e.g., commencement & convocation costs are only applicable to universities). The numbers in parentheses refer to the cost item in the applicable circulars.

**Selected Cost Items Not Treated the Same Among the Circulars**  
**Exhibit 1**

Selected Cost Items	A-87 - State, Local & Indian Tribal Government	A-21 - Educational Institutions	A-122 - Non-Profit Organizations
Advertising & Public Relations	Allowable with restrictions - (2)	Allowable with restrictions - (1)	Allowable with restrictions - (1)
Bad Debts	Unallowable unless provided in program regulations - (7)	Unallowable	Unallowable - (2)
Bonding	Allowable - (8)	Not Addressed	Allowable - (4)
Civil Defense (local)	Not Addressed	Allowable with restrictions - (5)	Not addressed
Compensation for Personal Service	Unique criteria for support - (1)	Unique criteria for support - (8)	Unique criteria for support - (6)
Defense & Prosecution of Criminal & Civil Proceedings	Allowable with restrictions - (14)	Allowable with restrictions - (11)	Allowable with restrictions (35.d, 48.e)
Goods or Services for Personal Use	Not Addressed	Unallowable - (19)	Not addressed but proposed unallowable
Housing & Personal Living Expenses	Not Addressed	Unallowable - (20)	Not addressed by proposed unallowable
Idle Facilities	Allowable with restrictions - (24)	Not addressed	Allowable with restrictions - (16)
Interest, Fund Raising & Investment	Allowable with restrictions - (21, 26)	Allowable with restrictions - (22)	Allowable with restrictions - (19)
Lobbying	Unallowable except at State/Local level - (27)	Unallowable - (17, 24)	Unallowable - (21)
Memberships, Subscriptions, & Professional Activities	Allowable for civic, community & social organizations with Federal approval - (30)	Unallowable for civic, community & social organizations - (28)	Civic, community & social organizations not addressed but proposed unallowable same as A-21 - (26)
Organizational Costs	Not Addressed	Not Addressed	Allowable with prior approval - (27)
Patents	Not Addressed	Allowable with restrictions - (29)	Allowable with restrictions - (31.b)
Professional Services Costs	Allowable with restrictions - (33)	Allowable with restrictions - (32)	Allowable with restrictions - (35)

**Appendix A**  
**OMB Circular A-133 Compliance Supplement - Provisional**

Proposal Costs	Allowable with restrictions - (34)	Allowable with restrictions - (34)	Not Addressed
Public Information	Not Addressed	Not Addressed	Allowable with restrictions - (37)
Publication & Printing	Allowable (35)	Not Addressed	Allowable with restrictions - (38)
Recruiting Costs	Allowable with restrictions - (2)	Allowable with restrictions - (37.b)	Allowable with restrictions - (41)
Relocation Costs	Not Addressed	Allowable with restrictions - (37.b)	Allowable with restrictions - (42)
Royalties	Not Addressed	Allowable with restrictions - (39)	Allowable with restrictions - (44)
Selling & Marketing	Not Addressed	Unallowable - (42)	Not addressed but proposed unallowable
Specialized Services Facilities	Not Addressed	Allowable with restrictions - (44)	Allowable with restrictions - (46)
Substantial Relocation - Interest Provision	Possible adjustment if relocated within useful life - (26)	Possible adjustment if relocated within 20 years - (22)	Possible adjustment if relocated within 20 years - (19)
Taxes	Allowable with restrictions - (39)	Allowable with restrictions - (46)	Allowable with restrictions - (47)
Termination Costs	Not Addressed	Allowable with restrictions - (49)	Allowable with restrictions - (49)
Training	Allowable for employee development - (40)	Allowable (8.f)	Allowable with limitations - (49)
Travel	Allowable with restrictions - (41)	Allowable with restrictions - (48, 50)	Allowable with restrictions - (51)

**Selected Unallowable Cost Items**  
**Exhibit 2**

Selected Cost Items	A-87 - State, Local & Indian Tribal Government	A-21 - Educational Institutions	A-122 - Non-Profit Organizations
Advertising & Public Relations	Allowable with restrictions - (2)	Allowable with restrictions - (1)	Allowable with restrictions - (1)
Alcoholic Beverages	(4)	(2)	Not addressed but proposed unallowable
Alumni Activities	Not Applicable	(3)	Not Applicable
Audit Services	Allowable with restrictions - (5) and as addressed in OMB Circular A-133	Allowable with restrictions as addressed in OMB Circular A-133	Allowable with restrictions as addressed in OMB Circular A-133
Civil Defense (local)	Not Addressed	Allowable with restrictions - (5)	Not Addressed
Commencement & Convocations	Not Applicable	(6)	Not Applicable
Compensation - Institution Automobile	Not Addressed	(8.g)	Not addressed but proposed unallowable
Contingencies	(12)	(9)	(7)
Defense & Prosecution of Criminal & Civil Proceedings	Allowable with restrictions - (14)	Allowable with restrictions - (11)	Allowable with restrictions - (35.d, 48.e)
Donations & Contributions	(13)	(13)	(8, 10)
Entertainment	(18)	(15)	(12)
Fines and Penalties	Allowable with restrictions - (20)	Allowable with restrictions - (18)	Allowable with restrictions - (14)

General Government	(23)	Not Applicable	Not Applicable
--------------------	------	----------------	----------------

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Expenses			
Goods or Services for Personal Use	Not Addressed	Unallowable - (19)	Not addressed but proposed unallowable
Housing & Personal Living Expenses	Not Addressed	(20)	Not addressed but proposed unallowable
Idle Facilities	Allowable with restrictions - (24)	Not Addressed	Allowable with restrictions - (16)
Insurance & Indemnification	Allowable with restrictions - (25)	Allowable with restrictions - (21)	Allowable with restrictions - (19)
Interest, Fund Raising & Investment	Allowable with restrictions - (21, 26)	Allowable with restrictions - (22)	Allowable with restrictions - (19)
Lobbying	Unallowable except at State/local level - (27)	(17, 24)	(21)
Losses on Other Sponsored Programs	(42)	(25)	(22)
Memberships, Subscriptions & Professional Activities	Allowable with restrictions - (30)	Allowable with restrictions - (28)	Allowable with restrictions - (26)
Organizational Costs	Not Addressed	Not Addressed	Allowable with prior approval - (27)
Patents	Not Addressed	Not Addressed	Allowable with restrictions - (31.b)
Pre-Agreement Costs	Allowable with restrictions - (32)	Allowable with restrictions - (31)	Allowable with restrictions - (34)
Public Information	Not Addressed	Not Addressed	Allowable with restrictions (37)
Publication & Printing	Allowable (35)	Not Addressed	Allowable with restrictions - (38)
Recruiting Costs	Allowable with restrictions - (2)	Allowable with restrictions (37.b)	Allowable with restrictions - (41)
Relocation Costs	Not Addressed	Allowable with restrictions - (37.b)	Allowable with restrictions - (42)
Taxes	Allowable with restrictions - (39)	Allowable with restrictions - (46)	Allowable with restrictions - (47)
Selling & Marketing	Not Addressed	(42)	Not addressed but proposed unallowable
Severance Pay	Allowable with restrictions - (11.g)	Allowable with restrictions - (43)	Allowable with restrictions - (45)
Student Activity Costs	Not Applicable	(45)	Not Applicable
Taxes	Allowable with restrictions - (39)	Allowable with restrictions - (46)	Allowable with restrictions - (47)
Termination Costs	Not Addressed	Allowable with restrictions - (49)	Allowable with restrictions - (48)
Travel - First Class	(41)	(48)	(51)
Trustees	Not Applicable	(50)	Not addressed by proposed unallowable
Under recover of Costs on Federal Agreements	(42)	(25)	(22)



## **C. CASH MANAGEMENT**

### **Compliance Requirements**

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash draw-downs by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity. Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Interest earned by non-State nonprofit entities on Federal fund balances is required to be remitted to Department of Health and Human Services, Payment Management System, Rockville, MD 20852.

Treasury regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA) (P.L. 101-453), require State recipients to enter into agreements which prescribe specific methods of drawing down (funding techniques) Federal funds for selected large programs. The longest any of the CMIA funding methods allow funds to be requested in advance is three days. The agreements also specify the terms and conditions in which an interest liability would be incurred. Any State which does not enter into a Treasury-State agreement is subject to default procedures prescribed by Treasury.

The requirements for cash management are contained in the OMB Circular 102 (Paragraph 2.a.), the A-102 Common Rule (§\_\_\_\_.21), OMB Circular A-110 (§\_\_\_\_.22), Treasury regulations at 31 CFR part 205, Federal awarding agency regulations, and the terms and conditions of the award.

### **Audit Objectives**

Determine whether:

1. The recipient/subrecipient followed procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement.
2. States have complied with the terms and conditions of the Treasury-State agreement or default procedures prescribed by Treasury.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

3. The pass-through entity implemented procedures to assure that subrecipients conformed substantially to the same timing requirements that apply to the pass-through entity.
4. Interest earned was reported/remitted as required.

**Suggested Audit Procedures**

1. Select a sample of advances of Federal funds and compare to the dates the funds were disbursed and/or checks were presented to the banks for payments. Using these data, verify that:
  - a. For States, the timing of disbursements were in compliance with the CMIA Treasury/State agreement or default procedures, whichever is applicable.
  - b. For advances to other recipients and subrecipients, established procedures to minimize the time elapsing between drawdown and disbursement were followed.
2. Where applicable, select a sample of reimbursement requests and trace to supporting documentation showing that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.
3. For audits of States, review the calculation of the interest obligation owed to or by the Federal Government, reported on the annual report submitted by the State to ascertain that the calculation was in accordance with Treasury regulations and the terms of the Treasury-State agreement or default procedures. Trace amounts used in the calculation to supporting documentation.
4. For audits of other entities, review records to determine if interest was earned on advances. If so, review evidence to ascertain whether it was returned to the appropriate agency.

## **D. DAVIS-BACON ACT**

### **Compliance Requirements**

When required by the Davis Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 276a to 276a-7).

### **Audit Objective**

Determine whether the non-Federal entity ensured that contractors and subcontractors paid prevailing wage rates for projects covered by the Davis-Bacon Act.

### **Suggested Audit Procedures**

1. Ascertain if the non-Federal entity receives Federal funds for construction projects; if so, review program/project requirements to ascertain if the program/project is covered by the Davis-Bacon Act.
2. Select a sample of construction contracts and subcontracts and verify that the required prevailing wage rate clauses were included in contracts for construction which exceed \$2000.
3. Determine the prevailing wage rates applicable at the time of the construction payroll. (DOL's Wage and Hour Division publishes a Register of Wage Determinations.)
4. Examine a sample of contractor or subcontractor payroll submissions and certifications and ascertain if such submissions indicate that laborers and mechanics were paid the prevailing wage rates established by the DOL for the locality at the time of the construction payroll.

## **E. ELIGIBILITY**

### **Compliance Requirements**

The specific requirements for eligibility are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in the Compliance Supplement, the specific eligibility requirements are in Part 4. This compliance requirement specifies the criteria for determining the individuals, groups of individuals, or subrecipients that can participate in the program and the amounts for which they qualify.

### **Audit Objectives**

Determine whether:

1. Only eligible individuals or groups of individuals (including area of service delivery) participated in the program.
2. Subawards were made only to eligible subrecipients.
3. Amounts provided to or on behalf of eligibles were calculated in accordance with program requirements.

### **Suggested Audit Procedures**

1. *Eligibility for Individuals*
  - a. For some Federal programs with a large number of people receiving benefits, the non-Federal entity may use a computer system for processing individual eligibility determinations and delivery of benefits. Often these computer systems are complex and will be separate from the non-Federal entity's regular financial accounting system. Typical functions a computer system for eligibility may perform are:
    - Perform calculations to assist in determining who is eligible and the amount of benefits
    - Pay benefits (e.g., write checks)
    - Maintain eligibility records, including information about each individual and benefits paid to or on behalf of the individual (regular payments, refunds, and adjustments)
    - Track the period of time an individual is eligible and stop benefits at the end of a predetermined period unless, there is a redetermination of eligibility

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Perform matches with other computer data bases to verify eligibility (e.g., matches to verify earnings or identify individuals who are deceased)
- Control who is authorized to approve benefits for eligibles (e.g., an employee may be approving benefits on-line and this process may be controlled by passwords or other access controls)
- Produce exception reports indicating likely errors which need follow-up (e.g., when benefits exceed a certain amount, would not be appropriate for a particular classification of individuals, or are paid more frequently than normal)

Because of the diversity of computer systems, both hardware and software, it is not practical for the Compliance Supplement to provide suggested audit procedures to address each system. However, generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially effect the financial statements being audited. Similarly, when eligibility is material to a major program, and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the non-Federal entity's computer processing. The auditor should perform audit procedures relative to the computer system for eligibility as necessary to support the opinion on compliance for the major program. Due to the nature and controls of computer systems, the auditor may choose to perform these tests of the computer systems as part of testing the internal controls for eligibility.

- b. Perform procedures to ascertain if the non-Federal entity's records/database includes all individuals receiving benefits during the audit period (e.g., that the population of individuals receiving benefits is complete).
- c. Select a sample of individuals receiving benefits and perform tests to ascertain if the:
  - (1) Specific individuals were eligible in accordance with the compliance requirements of the program. (Note that some programs have both initial and continuing eligibility requirements and the auditor should design and perform appropriate tests for both.)
  - (2) Benefits paid to or on behalf of the individuals were calculated correctly and in compliance with the requirements of the program.
  - (3) Benefits were discontinued when the period of eligibility expired.
- d. In some programs, the non-Federal entity is required to use a quality control process to obtain assurances about eligibility. Review the quality

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

control process and perform tests to ascertain if it is operating to effectively meet the objectives of the process and in compliance with applicable program requirements.

2. *Eligibility for Group of Individuals or Area of Service Delivery*

- a. In some cases, the non-Federal entity may be required to perform procedures to determine whether a population or area of service delivery is eligible. Test information used in determining eligibility and ascertain if the population or area of service delivery was eligible.
- b. Perform tests to ascertain if :
  - (1) The population or area served was eligible.
  - (2) The benefits paid to or on behalf of the individuals or area of service delivery were calculated correctly.

3. *Eligibility for Subrecipients*

- a. If the determination of eligibility is based upon an approved application or plan, obtain a copy of this document and identify the applicable eligibility requirements.
- b. Select a sample of the awards to subrecipients and perform procedures to verify that the subrecipients were eligible and amounts awarded were within funding limits.

**F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

**Compliance Requirements**

*Equipment Management*

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Non-profit organizations shall follow the provisions of OMB Circular A-110. Basically the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program which acquired it or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value in excess of \$5000, is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

The requirements for equipment are contained in the A-102 Common Rule (§\_\_\_\_.32), OMB Circular A-110 (§\_\_\_\_.34), Federal awarding agency program regulations, and the terms and conditions of the award.

*Real Property Management*

Title to real property acquired by non-Federal entities with Federal awards vests with the non-Federal entity. Real property shall be used for the originally authorized purpose as long as needed for that purpose. For non-Federal entities covered by OMB Circular A-110 and with written approval from the Federal awarding agency, the real property may be used in other federally-sponsored projects or programs that have purposes consistent with those authorized for support by the Federal awarding agency. The non-Federal entity may not dispose of or encumber the title to real property without the prior consent of the awarding agency.

When real property is no longer needed for the federally-supported programs or projects, the non-Federal entity shall request disposition instructions from the awarding agency. (For purposes of this compliance requirement, the awarding agency for recipients under OMB Circular A-110 or the A-102 Common Rule and subrecipients under OMB Circular A-110 is the Federal agency providing the funding. The awarding agency for subrecipients under the A-102 Common Rule is the pass-through entity.) When real property is sold, sales procedures should provide for competition to the extent practicable and result in the highest possible return. If sold, non-Federal entities are normally required to remit to the awarding agency the Federal portion (based on the Federal participation in the project) of net sales proceeds. If retained, the non-Federal entity shall normally compensate the awarding agency for the Federal portion of the current fair market value of the property. Disposition instructions may also provide for transfer of title in which case, the non-Federal entity is entitled to compensation for its percentage share of the current fair market value.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

The requirements for real property are contained in the A-102 Common Rule (§\_\_\_\_.31), OMB Circular A-110 (§\_\_\_\_.32), Federal awarding agency regulations, and the terms and conditions of the award.

**Audit Objectives**

Determine whether the:

1. The non-Federal entity maintains proper records for equipment and adequately safeguards and maintains equipment.
2. Disposition or encumbrance of any equipment or real property acquired under Federal awards is in accordance with Federal requirements and that the awarding agency was compensated for its share of any property sold or converted to non-Federal use.

**Suggested Audit Procedures**

*(Procedures 1 and 2 only apply to subrecipients of States that are local governments or Indian tribal governments.)*

1. Obtain entity's policies and procedures for equipment management and ascertain if they comply with the State's policies and procedures.
2. Select a sample of equipment transactions and test for compliance with the State's policies and procedures for management and disposition of equipment.

*(Procedures 3-4 only apply to non-profit organizations and Federal awards received directly from a Federal awarding agency by a local government or an Indian tribal government.)*

**3. Inventory Management of Equipment**

- a. Inquire if a required physical inventory of equipment acquired under Federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved.
- b. Identify equipment acquired under Federal awards during the audit period and trace selected purchases to the property records. Verify that the property records contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and any ultimate disposition



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

data including, the date of disposal and sales price or method used to determine current fair market value.

- c. Select a sample of equipment identified as acquired under Federal awards from the property records and physically inspect the equipment including whether the equipment is appropriately safeguarded and maintained.

4. *Dispositions of Equipment*

- a. Determine the amount of equipment dispositions for the audit period and perform procedures to verify that dispositions were properly classified between equipment acquired under Federal awards and equipment otherwise acquired.
- b. For dispositions of equipment acquired under Federal awards, perform procedures to verify that the dispositions were properly reflected in the property records.
- c. For dispositions of equipment acquired under Federal awards with a current per-unit fair market value in excess of \$5000, test whether the awarding agency was reimbursed for the appropriate Federal share.

*(Procedure 5 applies to States, local governments, Indian tribal governments and non-profit organizations regardless of whether funding is received as a recipient or subrecipient)*

5. *Dispositions of Real Property*

- a. Determine real property dispositions for the audit period and ascertain such real property acquired with Federal awards.
- b. For dispositions of real property acquired under Federal awards, perform procedures to verify that the non-Federal entity followed the instructions of the awarding agency which will normally require reimbursement to the awarding agency for the Federal portion of net sales or fair market value at the time of disposition, as applicable.

**G. MATCHING, LEVEL OF EFFORT, EARMARKING**

**Compliance Requirements**

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in the

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Compliance Supplement, the specific requirements can be found in Part 4, Agency Program Requirements.

However, for matching, the A-102 Common Rule (§\_\_\_\_.24) and OMB Circular A-110 (§\_\_\_\_.23) provide detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

- Are verifiable from the non-Federal entity's records.
- Are not included as contributions for any other federally-assisted project or program, unless specifically allowed by Federal program laws and regulations.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowed under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be allowable for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.
- Conform to other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

Matching, level of effort and earmarking are defined as follows:

- (1) *Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of cash or in-kind contributions.
- (2) *Level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.
- (3) *Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients.

### **Audit Objectives**

1. *Matching* - Determine whether the minimum amount or percentage of contributions or matching funds was provided.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

2. Level of Effort - Determine whether specified service or expenditure levels were maintained.
3. Earmarking - Determine whether minimum or maximum limits for specified purposes were met.

**Suggested Audit Procedures**

**1. Matching**

- a. Perform tests to verify that the required matching contributions were met.
- b. Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source.
- c. Test records to corroborate that the values placed on in-kind contributions are in accordance with the OMB cost principles circulars, the A-102 Common Rule, OMB Circular A-110, program regulations, and the terms of the award.
- d. Test transactions used to match for compliance with the allowable costs/cost principles requirement. This test may be performed in conjunction with the testing of the requirements related to allowable costs/cost principles.

**2.1 Level of Effort - Maintenance of Effort**

- a. Identify the required level of effort and perform tests to verify that the level of effort requirement was met.
- b. Perform test to verify that only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served) were included in the computation and that the categories were consistent from year to year. For example, in some programs, capital expenditures may not be included in the computation.
- c. Perform procedures to verify that the amounts used in the computation were derived from the books and records from which the audited financial statements were prepared.
- d. Perform procedures to verify that non-monetary effort indicators were supported by official records.

**2.2 Level of Effort - Supplement Not Supplant**

- a. Ascertain if the entity used Federal funds to provide services which they were required to make available under Federal, State, or local law and were also made available by funds subject to a supplement not supplant requirement.
- b. Ascertain if the entity used Federal funds to provide services which were provided with non-Federal funds in the prior year.
  - (1) Identify the federally-funded services.
  - (2) Perform procedures to determine whether the Federal program funded services that were previously provided with non-Federal funds.
  - (3) Perform procedures to ascertain if the total level of services applicable to the requirement increased in proportion to the level of Federal contribution.

**3. Earmarking**

- a. Identify the applicable percentage or dollar requirements for earmarking.
- b. Perform procedures to verify that the amounts recorded in the financial records met the requirements (e.g., when a minimum amount is required to be spent for a specified type of service, perform procedures to verify that the financial records show that at least the minimum amount for this type of service was charged to the program; or, when the amount spent on a specified type of service may not exceed a maximum amount, perform procedures to verify that the financial records show no more than this maximum amount for the specified type of service was charged to the program).
- c. When earmarking requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amount.
- d. When the earmarking requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account (e.g., if only 10 percent may be spent for administrative costs, review accounts for other than administrative costs to identify administrative

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

costs which were improperly classified elsewhere and cause the maximum percentage or amount to be exceeded).

## **H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS**

### **Compliance Requirements**

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §\_\_\_\_.23; OMB Circular A-110, §\_\_\_\_.28).

Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status report (SF-269). The Federal agency may extend this deadline upon request (A-102 Common Rule, §\_\_\_\_.23).

An example used by a program to determine when an obligation occurs (is made) is found under Part 4, Department of Education, CFDA 84.010 (Title I).

### **Audit Objective**

Determine whether Federal funds were obligated within the period of availability and obligations were liquidated within the required time period.

### **Suggested Audit Procedures**

1. Review the award documents and regulations pertaining to the program and determine any award-specific requirements related to the period of availability and document the availability period.
2. Test a sample of transactions charged to the Federal award after the end of the period of availability and verify that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

3. Test a sample of transactions that were recorded during the period of availability and verify that the underlying obligations occurred within the period of availability.
4. Select a sample of adjustments to the Federal funds and verify that these adjustments were for transactions that occurred during the period of availability.

**I. PROCUREMENT AND SUSPENSION AND DEBARMENT**

**Compliance Requirements**

*Procurement*

States, and governmental subrecipients of States, shall use the same policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36), OMB Circular A-110 (§\_\_\_\_.40 through §\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

*Suspension and Debarment*

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., subawards to subrecipients).

Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. The non-Federal entities may rely upon the certification unless it knows that the certification

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

is erroneous. Non-Federal entities may, but are not required to, check for suspended and debarred parties which are listed in the List of Parties Excluded From Federal Procurement or Nonprocurement Programs, issued by the General Services Administration (GSA). The information contained on the list is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://www.arnet.gov/epls>). Please note that the user will be required to record their name and organization for purposes of the Computer Matching and Privacy Act of 1988.

Requirements for suspension and debarment are contained in the Federal agencies' codification of the government-wide debarment and suspension common rule (see Appendix II for CFR cites) which implements Executive Orders 12549 and 12689, Debarment and Suspension, and the terms of the award.

### **Audit Objectives**

Determine whether:

1. Procurements were made in compliance with the provisions of the A-102 Common Rule and OMB Circular A-110.
2. The non-Federal entity obtained the required certifications for covered contracts and subawards.

### **Suggested Audit Procedures**

*(Procedures 1 - 5 apply only to non-profit organizations and Federal awards received directly from a Federal awarding agency by a local government or an Indian tribal government.)*

1. Obtain entity's procurement policies. Verify that the policies comply with applicable Federal requirements (§\_\_\_\_.36(b)(1) and §\_\_\_\_.43).
2. Ascertain if the entity has a policy to use statutorily or administratively-imposed in-State or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to Federal procurements except where applicable Federal statutes expressly mandate or encourage geographic preference (§\_\_\_\_.36(c)(2) and §\_\_\_\_.43).
3. Examine procurement policies and procedures and verify the following:

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- a. Written selection procedures require that solicitations incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured, identify all requirements that the offerors must fulfill, and include all other factors to be used in evaluating bids or proposals (§\_\_\_\_.36(c)(3) and §\_\_\_\_.44(a)(3)).
  - b. There is a written policy pertaining to ethical conduct (§\_\_\_\_.36(b)(3) and §\_\_\_\_.42).
4. Select a sample of procurements and perform the following:
- a. Examine contract files and verify that they document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price (§\_\_\_\_.36(b)(9) and §\_\_\_\_.46).
  - b. Verify that procurements provide full and open competition (§\_\_\_\_.36(c)(1) and §\_\_\_\_.43).
  - c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (§\_\_\_\_.36(b)(1) and (d)(4); and §\_\_\_\_.43 and §\_\_\_\_.44(e)).
  - d. Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action (§\_\_\_\_.36(f) and §\_\_\_\_.45).
  - e. Verify that the awarding Federal agency approved procurements exceeding \$100,000 when such approval was required. Procurements (1) awarded by noncompetitive negotiation, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder, or (4) specifying a "brand name" product (§\_\_\_\_.36(g)(1) and §\_\_\_\_.44(e)), may require prior Federal awarding agency approval.

*(Procedure 5 only applies to States and Federal awards subgranted by the State to a local government or Indian tribal government.)*

5. Test a sample of procurements to ascertain if the State's laws and procedures were followed and that the policies and procedures used were the same as for State funds.

*(Procedures 6 applies to all non-Federal entities)*



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

6. Test a sample of procurements and subawards and ascertain if the required suspension and debarment certifications were received for subawards and covered contracts. Alternatively, the auditor may test a sample of procurements and subawards to the List of Parties Excluded From Federal Procurement or Nonprocurement Programs, issued by the General Services Administration (GSA) and ascertain if contracts were awarded to suspended or debarred parties.

## **J. PROGRAM INCOME**

### **Compliance Requirements**

Program income is gross income received that is directly generated by the federally-funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. Program income includes, but is not limited to, income from: fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds. Except as otherwise provided in the Federal awarding agency regulations or terms and conditions of the award, program income does not include interest on grant funds (covered under Cash Management), rebates, credits, discounts, refunds, etc. (covered under Allowable Costs/Cost Principles), or interest earned on any of them (covered under Cash Management). Program income does not include the proceeds from the sale of equipment or real property (covered under Equipment and Real Property Management).

Program income may be used in one of three methods: deducted from outlays, added to the project budget, or used to meet matching requirements. Unless specified in the Federal awarding agency regulations or the terms and conditions of the award, program income shall be deducted from program outlays. However, for research and development activities by colleges and universities and other non-profit organizations, the default method is to add program income to the project budget. Unless Federal awarding agency regulations or the terms and conditions of the award specify otherwise, non-Federal entities have no obligation to the Federal Government regarding program income earned after the end of the grant period.

The requirements for program income are found in the A-102 Common Rule (§\_\_\_\_.25), OMB Circular A-110 (§\_\_\_\_.2 (program income definition) and §\_\_\_\_.24), Federal awarding agency laws, program regulations, and the provisions of the contract or grant agreements pertaining to the program.

### **Audit Objective**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Determine whether program income is correctly recorded and used in accordance with the program requirements, A-102 Common Rule, and OMB Circular A-110, as applicable.

**Suggested Audit Procedures**

1. *Identify Program Income*
  - a. Review the laws, regulations, and the provisions of contract or grant agreements applicable to the program and ascertain if program income was anticipated and, if so, the requirements for recording and using program income.
  - b. Inquire of management and review accounting records to ascertain if program income was received.
2. *Recording of Program Income* - Perform tests to verify that all program income was properly recorded in the accounting records.
3. *Use of Program Income* - Perform tests to ascertain if program income was used in accordance with the program requirements, the A-102 Common Rule, and OMB Circular A-110.

**K. REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE**

**Compliance Requirements**

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (URA) provides for uniform and equitable treatment of persons displaced by federally-assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to assure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner. Federal requirements govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by federally-funded projects. The regulations also cover the payment of moving-related expenses and re-establishment expenses incurred by displaced businesses and farm operations.

Government-wide requirements for real property acquisition and relocation assistance are contained in Department of Transportation's single government-wide rule at 49 CFR part 24, Uniform Relocation Assistance and Real Property Acquisition Regulations for Federal and Federally-Assisted Programs.

**Audit Objective**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Determine whether the non-Federal entity complied with the real property acquisition, appraisal, negotiation, and relocation requirements.

**Suggested Audit Procedures**

1. Inquire of management and review the records of Federal programs to ascertain if the non-Federal entity administers federally-assisted programs that involve the acquisition of real property or the displacement of households or businesses.

2. Property Acquisitions

For a sample of acquisitions:

- a. *Appraisal* - Test records to ascertain if: (1) the just compensation amount offered the property owner was determined by an appraisal process; (2) the appraisal(s) was examined by a review appraiser; and, (3) the review appraiser prepared a signed statement which explains the basis for adjusting comparable sales to reach the review appraiser's determination of the fair market value.
  - b. *Negotiations* - Test supporting documentation to ascertain if: (1) a written offer of the appraised value was made to the property owner; and (2) a written justification was prepared if the purchase price for the property exceeded the amount offered and that the documentation (e.g., recent court awards, estimated trial costs, valuation problems) supports such administrative settlement as being reasonable, prudent, and in the public interest.
  - c. *Residential Relocations* - Test supporting documentation to ascertain if the non-Federal entity made available to the displaced persons one or more comparable replacement dwellings.
3. *Replacement Housing Payments* - For a sample, test the non-Federal entity's records to ascertain if there is documentation that supports the following:
    - a. The owner occupied the displacement dwelling for at least 180 days immediately prior to initiation of negotiations.
    - b. The non-Federal entity examined at least three comparable replacement dwellings available for sale and computed the payment on the basis of the price of the dwelling most representative of the displacement dwelling.
    - c. The asking price for the comparable dwelling was adjusted, to the extent justified by local market data, to recognize local area selling price reductions.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- d. The allowance for increased mortgage cost "buy down" amount was computed based on the remaining principal balance, the interest rate, and the remaining term of the old mortgage on the displacement dwelling.
  - e. The non-Federal entity prepared written justification on the need to employ last resort housing provisions, if the total replacement housing payment exceeded \$22,500.
4. *Rental or Downpayment Assistance* - For a sample, test the non-Federal entity's records to ascertain if there is documentation that supports the following:
- a. The displacee occupied the displacement dwelling for at least 90 days immediately prior to initiation of negotiations.
  - b. The displacee rented, or purchased, and occupied a decent, safe, and sanitary replacement dwelling within one year.
  - c. The non-Federal entity prepared written justification if the payment exceeded \$5250.
5. *Business Relocations* -

For a sample of business relocations:

- a. *Moving Expenses* - Test that payments for moving and related expenses were for actual costs incurred or that fixed payments, in lieu of actual costs, were limited to a maximum of \$20,000 and computed based on the average annual net earnings of the business, as evidenced by income tax returns, certified financial statements, or other reliable evidence.
- b. *Business Re-establishment Expense* - Verify that (1) the displacee was eligible as a farm operation, a non-profit organization, or a small business to receive re-establishment assistance, and (2) the payment was for actual costs incurred and did not exceed \$10,000.

## L. REPORTING

### Compliance Requirements

#### *Financial Reporting*

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats. (The open-ended entitlement programs (Appendix 1) require quarterly reports.)

The reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to the following requirements for recipients.

The standard financial reporting forms are as follows:

1. *Financial Status Report (FSR) (SF-269 (OMB No. 0348-0039) or SF-269A (OMB No. 0348-0038)).* Recipients use the FSR to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271.
2. *Request for Advance or Reimbursement (SF-270 (OMB No. 0348-0004)).* Recipients use the SF-270 to request Treasury advance payments and reimbursements under non-construction programs.
3. *Outlay Report and Request for Reimbursement for Construction Programs (SF-271 (OMB No. 0348-0002)).* Recipients use the SF-271 to request funds for construction projects unless advances or the SF-270 is used.
4. *Federal Cash Transaction Report (SF-272 (OMB No. 0348-0003) or SF-272-A (OMB No. 0348-0003)).* Recipients use the SF-272 when payment is by advances or reimbursements. The awarding agency may waive the requirement for an SF-272 when electronic payment mechanisms provide adequate data.

OMB is working on versions of these standard forms which will be located on the OMB Home Page on the Internet (<http://www.whitehouse.gov/WH/EOP/omb>). In the interim, copies of the standard forms can be obtained via OMB's FAX Information Line: 202-395-9068. The 4-digit fax-on-demand numbers for each form are indicated below.

SF-269, Financial Status Report (Long Form) (fax-on-demand #2690)

SF-269A, Financial Status Report (Short Form) (fax-on-demand #2691)

SF-270, Request for Advance or Reimbursement (fax-on-demand #2700)

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

SF-271, Outlay Report and Request for Reimbursement for Construction Programs fax-on-demand #2710)

SF-272, Federal Cash Transactions Report (fax-on-demand #2720)

SF-272A, Federal Cash Transactions Report (fax-on-demand #2721)

*Performance Reporting*

Recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

1. A comparison of actual accomplishments with the goals and objectives established for the period.
2. Reasons why established goals were not met, if appropriate.
3. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

*Special Reporting*

Non-Federal entities may be required to submit other reporting which may be used by the Federal agency for such purposes as allocating program funding.

Compliance testing of performance and special reporting are only required for data that are quantifiable and meet the following criteria:

1. Have a direct and material effect on the program.
2. Are capable of evaluation against objective criteria stated in the laws, regulations, contract or grant agreements pertaining to the program.

Performance and special reporting data specified in Part 4, Compliance Requirements, meet the above criteria.

Reporting requirements are contained in the following documents:

- a. A-102 Common Rule -- Financial reporting, §\_\_\_\_.41; Performance reporting, §\_\_\_\_.40(b).
- b. OMB Circular A-110 -- Financial reporting, §\_\_\_\_.52; Performance reporting, §\_\_\_\_.51.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- c. The laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

**Audit Objective**

Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

**Suggested Audit Procedures**

1. Review applicable laws, regulations, and the provisions of contract or grant agreements pertaining to the program for reporting requirements. Determine the types and frequency of required reports. Obtain and review Federal awarding agency, or pass-through entity in the case of a subrecipient, instructions for completing the reports.
  - a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual).
  - b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.
2. Perform appropriate analytical procedures and ascertain the reason for any unexpected differences. Examples of analytical procedures include:
  - (a) Comparing current period reports to prior period reports.
  - (b) Comparing anticipated results to the data included in the reports.
  - (c) Comparing information obtained during the audit of the financial statements to the reports.

Note: The results of the analytical procedures should be considered in determining the nature, timing, and extent of the other audit procedures for reporting.
3. Select a sample of each of the following report types.
  - a. Financial reports:
    - (1) Ascertain if the financial reports were prepared in accordance with the required accounting basis.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- (2) Trace the amounts reported to accounting records that support the audited financial statements and the schedule of expenditures of Federal awards and verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.
  - b. Performance and special reports:
    - (1) Trace the data to records that accumulate and summarize data.
    - (2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.
  - c. When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation that link reports to the data.
  - d. Test mathematical accuracy of reports and supporting worksheets.
4. Test the selected reports for completeness.
- a. For financial reports, review accounting records and ascertain if all applicable accounts were included in the sampled reports (e.g., program income, expenditure credits, loans, and reserve funds).
  - b. For performance and special reports, review the supporting records and ascertain if all applicable data elements were included in the sampled reports.
5. Obtain written representation from management that the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the Federal awarding agency or pass-through entity in the case of a subrecipient.

## **M. SUBRECIPIENT MONITORING**

### **Compliance Requirements**

A pass-through entity is responsible for:

- Identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements.
- Ensuring required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings.
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Factors such as the size of awards, percentage of the total program's funds awarded to subrecipients, and the complexity of the compliance requirements may influence the extent of monitoring procedures.

Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan.

The requirements for subrecipient monitoring are contained in the A-102 Common Rule (§\_\_\_\_.37 and §\_\_\_\_.40(a)), OMB Circular A-110 (§\_\_\_\_.50(a)), Federal awarding agency program regulations, and the terms and conditions of the award.

### **Audit Objectives**

Determine whether the pass-through entity:

1. Identified Federal award information and compliance requirements to the subrecipient.
2. Monitored subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements.
3. Ensured required audits are performed and requires appropriate corrective action on monitoring and audit findings.
4. Evaluates the impact of subrecipient activities on the pass-through entity.

### **Suggested Audit Procedures**

(Note: The auditor may consider coordinating the tests related to subrecipients performed as part of Activities Allowed or Unallowed (tests that subrecipient agreements were for allowable activities), Cash Management (tests of cash reports

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

submitted by subrecipients), Eligibility (tests that subawards were made only to eligible subrecipients), and Procurement (tests of suspension and debarment certifications) with the testing of Subrecipient Monitoring.)

1. Discuss subrecipient monitoring with the pass-through entity's staff to gain an understanding of the scope of monitoring activities, including the number, size, and complexity of awards to subrecipients.
2. Test award documents to ascertain if the pass-through entity made subrecipients aware of the award information and requirements imposed by laws, regulations, and the provisions of contract or grant agreements pertaining to the program. This testing should include procedures to verify that the pass-through entity required subrecipients expending \$300,000 or more in Federal awards during the subrecipient's fiscal year to have audits made in accordance with OMB Circular A-133.
3. Review the pass-through entity's documentation of subrecipient monitoring to ascertain if the pass-through entity monitored that subrecipients used Federal funds for authorized purposes and takes actions in response to monitoring findings. This review should include procedures to verify that the pass-through entity monitored the activities of subrecipients not subject to OMB Circular A-133, using techniques such as those discussed in the Compliance Requirements provisions of this section.
4. Verify that the pass-through entity receives audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issues timely management decisions on audit and monitoring findings, and requires subrecipients to take timely corrective action on deficiencies identified in audits and subrecipient monitoring.
5. Verify that the effects of subrecipient noncompliance are properly reflected in the pass-through entity's records.

## **N. SPECIAL TESTS AND PROVISIONS**

### **Compliance Requirements**

The specific requirements for special tests and provisions are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. For programs listed in this Supplement, the compliance requirements, audit objectives, and suggested audit procedures for this type of compliance requirement can be found in Part 4 - Agency Program Requirements. For programs not listed in this Supplement, the auditor shall review the program's contract and grant agreements and referenced laws and regulations to identify the compliance requirements and develop the audit objectives and audit

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

procedures for Special Tests and Provisions which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

Additionally, for both programs included and not included in this Supplement, the auditor shall identify any additional compliance requirements which are not based in law or regulation (e.g., were agreed to as part of audit resolution of prior audit findings) which could be material to a major program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material on a major program shall be included in the audit.

## **PART 4 - AGENCY PROGRAM REQUIREMENTS**

### **INTRODUCTION**

For each Federal program included in this Supplement, Part 4 provides "I. Program Objectives" and "II. Program Procedures." Also, Part 4 provides information about compliance requirements specific to a program in "III. Compliance Requirements."

When five types of compliance requirements ("A. Activities Allowed or Unallowed," "E. Eligibility," "G. Matching, Level of Effort, Earmarking," "L. Reporting," and "N. Special Tests and Provisions") are applicable to a program included in this Supplement, Part 4 will always provide information specific to the program. The auditor should look to Part 3 for a general description of the compliance requirements, audit objectives, and suggested audit procedures and to Part 4 for information about the specific requirements for a program. An exception is that for "N. Special Tests and Provisions;" all such information is included in Part 4.

The other nine types of compliance requirements generally are not specific to a program and therefore are usually not listed in Part 4. However, when one of these other nine types of compliance requirements have information specific to a program, this specific information will be provided with the program in Part 4.

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.**

For R&D and SFA, Part 5 is the equivalent of Part 4; therefore the auditor will need to consider Parts 2, 3, and 5 in developing the audit program for these programs (program clusters).

**NOTE: PROGRAM SPECIFIC REQUIREMENTS CAN BE FOUND BY USING THE HYPERTEXT LINKS PROVIDED IN THE TABLE OF CONTENTS, UNDER SECTION 4.**

## **PART 5 - CLUSTERS OF PROGRAMS**

### **INTRODUCTION**

Part 5 identifies those programs that are considered to be clusters of programs as defined by OMB Circular A-133 (§\_\_\_\_.105). A cluster of programs means Federal programs with different CFDA numbers that are defined as a cluster of programs because they are closely related programs that share common compliance requirements. This Part identifies research and development (R&D) and Student Financial Aid (SFA) as clusters, as well as certain other programs included in Part 4, Agency Program Requirements, that are deemed to be clusters. For R&D and SFA, the following sections of this Part are the equivalent of Part 4.

This Part also defines other clusters of programs that are not included in this Compliance Supplement. If a cluster is defined in this Part, but not included in Part 4, the auditor will have to determine the compliance requirements to test in accordance with Part 7, Guidance for Auditing Programs Not Included in This Compliance Supplement.

## **RESEARCH AND DEVELOPMENT PROGRAMS**

### **I. PROGRAM OBJECTIVES**

The Federal Government sponsors research and development activities to achieve objectives agreed upon between the sponsoring agency and the institution. The types of research and development conducted under these agreements vary widely. The objective of individual projects is explained in the Federal award document.

### **II. PROGRAM PROCEDURES**

Research is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

Research and development grants and contracts are awarded to non-Federal entities on the basis of research proposals submitted to Federal agencies or pass-through

entities. These proposals are sometimes unsolicited. A grant or contract agreement is then negotiated in which the purpose of the project is specified, the amount of the award is indicated, and terms of administration are delineated.

### **III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES**

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.**

#### **A. Activities Allowed or Unallowed**

The objective(s) of individual research and development projects are explained in the applicable award documents. Testing of compliance with this requirement should ensure that funds were used only for activities for the furtherance of such objective(s).

#### **B. Allowable Cost/Cost Principles**

Individual employee compensation and related benefits generally comprise a significant portion of total costs charged to research and development projects. The auditor should give particular attention to the allocability of these costs. The distribution of individual employee compensation and related benefits to Federally sponsored research projects must follow the applicable Federal cost principles and the Federal award document. Therefore, the auditor's testing should include tests of the time and effort reporting system to support the distribution of salaries and wages.

Indirect costs is a second major category of cost charged to research and development projects. The third most prevalent type of cost charged is supplies and equipment.

The auditor should determine if journal entries, computer generated costs (e.g., payroll, benefits, supplies, computer usage), and transfers were made to the research and development projects. If so, a representative sample of these should be included as a part of allowable costs testing.

#### **G. Matching, Level of Effort, Earmarking**

##### **1. Matching**

Non-Federal entities may be required to share in the cost of research either on an overall entity or individual grant basis. The specific program regulations or individual Federal award will specify matching requirements if applicable.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- 2. **Level of Effort** - Not Applicable
- 3. **Earmarking** - Not Applicable

**L. Reporting**

**1. Financial Reporting**

The specific program regulations or the Federal award will specify the required financial reports. The auditor is responsible for testing the standard Federal financial reports or alternate forms that report the same or similar information.

- 2. **Performance Reporting** - Not Applicable
- 3. **Other Special Reports** - Not Applicable

**N. Special Tests and Provisions**

The larger R&D awards may contain special terms and conditions which could have a direct and material effect on the Research and Development Cluster. The auditor should make inquiries of the non-Federal entity's management and review a sample of the larger R&D awards to ascertain if such special terms and conditions exist. When special terms and conditions exist which could be material to this Cluster, the auditor should develop the audit objectives, audit procedures, and perform tests for test compliance with the special terms and conditions.

**STUDENT FINANCIAL ASSISTANCE PROGRAMS**

**Department of Education**

**Department of Health and Human Services**

**CFDA 84.007 FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM (FSEOG)**

**CFDA 84.032 FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFEL)**

**CFDA 84.033 FEDERAL WORK STUDY (FWS)**

**CFDA 84.038 FEDERAL PERKINS LOAN PROGRAM (FPL)**

**CFDA 84.063 FEDERAL PELL GRANT PROGRAM (PELL)**

**CFDA 84.268 WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM (DIRECT LOAN)**

**CFDA 93.108 HEALTH EDUCATION ASSISTANCE LOAN PROGRAMS (HEAL)  
CFDA 93.342 HEALTH PROFESSIONS STUDENT LOAN (HPSL)**

**CFDA 93.364 NURSING STUDENT LOAN (NSL)**

**CFDA 93.820 SCHOLARSHIP PROGRAM FOR STUDENTS OF EXCEPTIONAL  
NEED (EFNS)**

**I. PROGRAM OBJECTIVES**

The objective of the student financial assistance programs is to provide financial assistance to eligible students attending institutions of post-secondary education.

**II. PROGRAM PROCEDURES**

Institutions must apply to either the Secretary of Education or Secretary of Health and Human Services to participate in their particular SFA programs. Some applications must be filed annually, others upon initial entry and once approved, periodically thereafter. Institutions may be approved to participate in only one program or a combination of programs. Institutions are responsible for" (1) determining student eligibility; (2) verifying student data (when required); (3) calculating, as required, the amount of financial aid a student can receive; (4) completing and/or certifying parts of various loan applications and/or promissory notes; (5) drawing funds from the Federal government and disbursing or delivering SFA funds to students through disbursement and/or credits to students' accounts; (6) making borrowers aware of loan repayment responsibilities; (7) submitting, as requested, data on borrowers listed on student status confirmation reports; (8) making refunds to students, lenders and programs, as appropriate, if students withdraw, drop out or are expelled from their course of study; (9) collecting SFA overpayments; (10) establishing, maintaining and managing (including collecting loan repayments) a revolving loan fund for applicable programs; and, (11) reporting the use of funds. Institutions may contract with third-party servicers to perform many of these functions.

**Title IV Programs - General**

The programs cited in this cluster that are administered by the Department of Education (those with CFDA's beginning with 84) are authorized by Title IV of the Higher Education Act of 1965 (the Act), as amended, and collectively are referred to as the "Title IV programs." Because they are administered at the institutional level, the Federal Perkins Loan Program, Federal Work-Study Program and Federal Supplemental Education Opportunity Grant program are referred to collectively as the "campus-based programs." In addition to the Act and implementing regulations found in Title 34 of the CFR, the Department of Education annually publishes the Federal

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Student Financial Aid Handbook, which provides detailed guidance on administering the Title IV programs. These and other guidance material are available from the Department of Education by calling 1-800-4FEDAID (1-800-433-3243) or on the Internet (<http://sfa.ed.gov/>).

For Title IV programs, students complete an application (Free Application for Federal Student Aid (FAFSA) and send it to a central processor (a contractor of the Department of Education that administers the Central Processing System). The central processor provides Student Aid Reports (SARs) to applicants and provides Institutional Student Information Records (ISIRs) to institutions. Among other things, the SAR contains the applicant's Expected Family Contribution. Students take their SARs to the institution (or the institution uses the ISIR) to help determine student eligibility, award amounts and disbursements. (Note: The central processor is a service organization of the Department of Education, not of the schools. Therefore, Statement on Auditing Standards No. 70 does not apply when auditing the schools.)

**Federal Pell Grant (Pell) (CFDA 84.063)**

The Federal Pell Grant program provides grants to eligible undergraduate students and is intended to provide a foundation of financial aid. The program is administered by the Department of Education and post-secondary educational institutions. Maximum and minimum Pell grant awards are established by statute. The Department of Education provides funds to the institution based on actual and estimated Pell expenditures.

**Federal Perkins Loan (FPL) (CFDA 84.038)**

**Health Professions Student Loan (HPSL) (CFDA 93.342)**

**Nursing Student Loan (NSL) (CFDA 93.364)**

The FPL, HPSL, and NSL programs provide long-term low-interest loans to students who demonstrate the need for financial aid to pursue their course of study at post-secondary educational institutions. Revolving loan funds are established and maintained at institutions through applications to participate in the programs. The funds are started with the Federal Capital Contribution (FCC) and a matching Institutional Capital Contribution (ICC). Repayments of principal and interest, new FCC, and new ICC are deposited in the revolving funds. The institution is fully responsible for administering the program (i.e., approving, disbursing and collecting the loans).

**Federal Work Study (FWS) (CFDA 84.033)**

The Federal Work Study (FWS) program provides part-time employment to students who need the earnings to help meet costs of post-secondary education. This program also authorizes the establishment of the Job Location and Development (JLD) program, the purpose of which is to expand off-campus part-time or full-time employment



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

opportunities for all students, regardless of their financial need, who are enrolled in eligible institutions and to encourage students to participate in community service activities.

Funds are provided to institutions upon submission of an annual application, Fiscal Operations Report and Application to Participate (FISAP) (this application covers all campus-based programs), and in accordance with statutory and regulatory formulae. FWS funds are matched with institutional funds. The institution decides the award amount, places the student in a job, and pays the student or arranges to have the student paid by an off-campus employer. The institution may use a portion of FWS funds for a JLD program.

**Federal Supplemental Education Opportunity Grant (FSEOG) (CFDA 84.007)**

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell recipients who have the lowest expected family contributions. The institution decides the amount of the grant, which can be up to \$4000 but not less than \$100, for an academic year. Federal funds are matched with institutional funds (34 CFR sections 676.10 and 676.20).

**Federal Family Education Loan Program (FFEL) (CFDA 84.032)**

**William D. Ford Federal Direct Loan Program (Direct Loan) (CFDA 84.268)**

**(Both programs include subsidized, unsubsidized, and PLUS loans)**

The FFEL and Direct Loan programs make interest subsidized or unsubsidized loans available to students or parents of dependent students (PLUS loan) to pay for the cost of attending post-secondary educational institutions. FFEL loans are made by eligible lenders (e.g. banks, savings and loan institutions, etc.) and insured by State or not-for-profit guaranty agencies. In some cases, institutions of higher education are approved as eligible lenders. The Federal Government reinsures the guaranty agencies. Direct Loans are made by the Secretary of Education. The student's SAR or ISIR, along with other information, is used by the institution to certify (for FFEL) or originate (for Direct Loan) a student's loan. The student financial aid administrator is also required to provide and confirm certain information.

Direct Loan is a new program that is changing annually. Institutions participate in loan origination options: Option 1, Option 2 or Standard. Functions performed by loan origination option vary and are described in the *Direct Loan School Guide*. Direct Loan is an electronic program except for the promissory note. Electronic records are created, batched, transmitted (exported) to a loan origination center (LOC) and acknowledged (imported from) by the LOC, on a cycle approach. A cycle is not complete until the last activity in it is finished, i.e., an action has been accepted by the LOC and the school's system reflects the acceptance. Direct Loan has five types of cycles: Loan Origination

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Records (one for each loan), Promissory Note Manifests, Disbursement Records, Change Records, and Reconciliation Records. For a loan to be "booked" the institution must have electronically transmitted to the LOC, and the LOC must have accepted these records: (1) the loan origination record; (2) the Promissory Note Manifest (matched with the paper promissory note sent by the school/student); and, (3) the first disbursement of loan proceeds. The borrower's original accepted promissory note is maintained at the LOC; the institution is not required to keep a copy.

When auditing institutions of higher education, tests of the compliance requirements are not expected to be made at the FFEL lending institutions (e.g., banks, credit unions, etc.) or the Direct Loan LOC. However, if the institution is participating in FFEL as an eligible lender, and SFA is a major program, the auditor's compliance opinion on SFA includes compliance with requirements associated with its role as a lender. Therefore, if the lending activity under FFEL is material to SFA as a whole, the auditor would need to perform procedures to support his or her opinion with respect to the institution's role as a FFEL lender. Compliance requirements associated with lenders under the FFEL program are not included in this compliance supplement, but are identified in an audit guide available from the Department of Education: *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program*, dated December 1996.

The FFEL program at Guaranty Agencies (84.032) is not part of the Student Financial Assistance Cluster and is included in Part 4, Agency Program Requirements.

### **Health Education Assistance Loans (HEAL) (CFDA 93.108)**

HEAL encourages lenders to provide loans to graduate students enrolled in eligible educational programs in specified health professions at participating institutions of higher education. HEAL loans are made by eligible lenders and are insured by the Federal Government. Students complete an application and submit it to the institution. The institution is responsible for certifying the loan application and confirming certain information. Tests of the compliance requirements are not expected to be made at the lender when auditing participating institutions.

### **Scholarship Program for Students of Exceptional Financial Need (EFNS) (CFDA 93.820)**

EFNS encourages those needy students, who might otherwise be reluctant to do so, to pursue a career as a health professional. These scholarships are awarded without a service or financial obligation to health professional students of exceptional financial need. Annual awards are made to participating health professional schools. Each school makes awards to eligible students.

## **III. COMPLIANCE REQUIREMENTS**

**In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.**

**Note: While the programs included in this cluster are generally similar in their intent, administration and documentation, etc., there are differences among them. Because of space considerations, we could not list all of the differences, exceptions to general rules or nuances pertaining to specific programs. Auditors should utilize regulations and guidance applicable to the year(s) being audited when auditing the SFA programs.**

**A. Activities Allowed or Unallowed**

**1. Allowability of Specific Transactions and Activities**

Generally, SFA funds can be used only for making awards to students and for administration of the programs. Other allowable uses for specific programs are as follows:

**Federal Perkins Loan (FPL)**

Certain billing, collection, and litigation costs must first be charged to the borrower and cannot be charged to the loan fund. If amounts recovered from the borrowers are not sufficient to pay these collection costs, program funds can be used to pay these costs with certain limits (34 CFR sections 674.8 and 674.47).

A school may transfer up to a total of 25 percent of its Federal Capital Contribution for an award year to either or both the Federal Supplemental Educational Opportunity Grant (FSEOG) or Federal Work Study programs. A school may transfer up to 100 percent of its initial and supplemental allocations to an approved Work Colleges program. (see 34 CFR section 675.41) Transferred funds must be used according to the requirements of the program to which they are transferred. A school that transfers funds to the Federal Work Study , FSEOG or Work Colleges programs must transfer any unexpended funds back to the Federal Perkins Loan program at the end of the award year (34 CFR section 674.18).

**Federal Work Study (FWS)**

The institution may use FWS funds only for awards to students, a Job Location and Development (JLD) Program, Work-Colleges Program, administrative costs, and transfers to FSEOG (34 CFR sections 675.18 and 675.33).

**Health Professions Student Loan (HPSL), CFDA 93.342**  
**Nursing Student Loan (NSL), CFDA 93.364**

Funds from both programs may also be used for capital distribution in Section 743, or, as agreed to by the Secretary for costs of litigation; costs associated with membership in credit bureaus and, to the extent specifically approved by the Secretary, for other collection costs that exceed the usual expenses incurred in the collection of loan funds. Funds may also be used for repayments of principal and interest on Federal capital loans (HPSL, 42 CFR section 57.205(a); NSL, 42 CFR section 57.305(a)).

**2. Allowable Activities for Subrecipients - Not Applicable**

**C. CASH MANAGEMENT**

ED pays an institution in advance, or by reimbursement. Under the reimbursement method, the institution must disburse funds to the students before requesting funds from ED. Under the advance payment method, the institution's request must not exceed the amount immediately needed to disburse funds to students. The institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED. However, an excess cash balance tolerance is allowed if that balance: (1) during a peak period of enrollment, was less than three percent of its total prior-year draw-downs; (2) for any other period was less than one percent of its prior-year draw-downs; and, (3) is eliminated within the next seven calendar days. Except for the Federal Perkins Loan Program earnings, interest earnings greater than \$250 must be returned to the ED. Federal Perkins Loan earnings are reinvested in the Federal Perkins Loan revolving fund (34 CFR section 668.166).

For the HHS programs, requests for new FCC must only be made when needed. Any idle cash including any interest earned must be deposited in an income-producing account and all excess cash must be returned to HHS (HPSL, 42 CFR sections 57.203 and 57.205; NSL, 42 CFR parts 303 and 305).

**E. ELIGIBILITY**

**1. Eligibility for Individuals**

The requirements for student eligibility are contained in Appendix A.

The determination of SFA award amounts is based on financial need. Financial need is generally defined as the student's cost of attendance (COA) minus financial resources reasonably available. In determining the financial resources available for the HHS programs, the school must use one of the national need analysis systems or any other procedures approved by the Secretary of Education. The school must also take into

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

account other information that it has regarding the student's financial status. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student's SAR and the ISIR provided to the institution.

For the HHS programs and the FPL, the costs reasonably necessary for the student's attendance include any special needs and obligations which directly affect the student's ability to attend the school. The school must document the criteria used for determining these costs. For Title IV programs the COA is generally the sum of the following: tuition and fees; an allowance for books, supplies, transportation and miscellaneous personal expenses; an allowance for room and board; where applicable, allowances for costs for dependent care; costs associated with study abroad and cooperative education; costs related to disabilities; and fees charged for student loans. There are exceptions for students attending less than half time, correspondence students, and incarcerated students. The financial aid administrator also has authority to use professional judgment to adjust the COA on a case-by-case basis to allow for special circumstances (FPL, 34 CFR section 674.9; FWS, 34 CFR section 675.9; FSEOG, 34 CFR section 676.9; FFEL, 34 CFR section 682.603; Direct Loan 34 CFR sections 685.200 and 301; Pell 34 CFR section 690.75; HPSL, 42 CFR section 57.206(b); NSL, 42 CFR section 57.306(b); EFNS, 42 CFR section 57.2804(b), 57.2806; HEAL, 42 CFR section 60.51(f)); Sections 471 and 472 of the Act).

In addition to the following described requirements and limits, awards must be coordinated among the various programs and with other Federal and nonfederal aid to assure that total aid is not awarded in excess of the student's financial need (FPL, 34 CFR sections 674.14 and 674.15; FWS, 34 CFR sections 675.14 and 675.15; FSEOG, 34 CFR sections 676.14 and 676.15; FFEL, 34 CFR section 682.603; Direct Loan, 34 CFR section 685.301; HPSL, 42 CFR section 57.206; NSL, 42 CFR section 57.306(b); HEAL, 42 CFR section 60.51(f); EFNS, 42 CFR section 57.2806).

**Health Professions Student Loan (HPSL), CFDA 93.342**

**Nursing Student Loan (NSL), CFDA 93.364**

The total amount of HPSL loans made to a student for a school year may not exceed \$2,500 plus the cost of tuition (42 CFR section 57.207). For medical and osteopathic students who are applying for a HPSL loan, the school must make its selection based on the order of greatest financial need, taking into consideration the other resources available to the student. The resources may include summer earnings, educational loans, veteran (G.I.) Benefits, and earnings during the school year (HPSL, 42 CFR section 57.206(c)). The total amount of NSL loans made to a student for an academic year may not exceed \$2,500 except that for each of the final two academic years of the program the total must not exceed \$4000. The total of all NSL loans may not exceed \$13,000 (NSL, 42 CFR section 57.307).

### **Health Education Assistance Loans (HEAL), CFDA 93.108**

The maximum amount allowable under this program is determined by health professions as follows: (1) a medical, osteopathy, dentistry, veterinary medicine, optometry or podiatry student may receive no more than \$20,000 per academic year and \$80,000 in total; and, (2) a public health, pharmacy or chiropractic student and a graduate in health administration, clinical psychiatry and allied health may received no more than \$12,500 per academic year and \$50,000 in total. The lender may disburse funds only for making loans in accordance with the HEAL Insurance Contract (42 CFR sections 60.10(a) and 60.33).

### **Scholarship Program for Students of Exceptional Financial Need (EFNS), CFDA 93.820**

This program applies to the health profession only. Scholarships must be awarded successively to the eligible individual with the greatest financial need at that school (42 CFR section 57.2803(b)). A scholarship will include the student's tuition for the first year of study, the cost of all other reasonable educational expenses, and a stipend of \$400 per month (adjusted in accordance with Section 751(g)(3) of the Act) for 12 consecutive months beginning with the first month of the school year (42 CFR section 57.2805). If a recipient ceases to be a full-time student at the school, the school must discontinue all scholarship payments to a student and remit the unused balance of the scholarship to the Federal Government (42 CFR section 57.2807)).

### **Federal Pell Grants (Pell)**

Each year, based on the maximum Pell grant established by Congress, ED provides to institutions Payment and Disbursement Schedules for determining Pell awards. The Payment or Disbursement schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC and COA. The Payment Schedule is used to determine the annual award for a full-time student. There are separate Disbursement Schedules for three-quarter time, half-time and less than half-time students. All of the schedules, however, are based on the COA of a full-time student for a full academic year (see Chapter 4 of the Federal SFA Handbook for the year(s) being audited for guidance on selecting formulas for calculating cost of attendance, prorating costs for programs less or greater than an academic year, and determining payment periods). The steps to determine Pell awards are as follows:

- (1) Determine the student's enrollment status (full-time, three-quarter time, half-time or less than half-time).
- (2) Calculate the cost of attendance. This is always based on the cost for a full-time for a full academic year. If the student is enrolled in a program or enrollment period that is longer or shorter than an academic year, the costs must be prorated so that they apply to one full academic year. There are two allowable proration methods. Costs can be on an actual cost-per-student basis or an

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

average cost for groups of similar students. If the student is enrolled less than half-time, the only allowable cost components are tuition and fees, allowance for books and supplies, transportation allowance, and allowance for dependent care.

- (3) Determine the annual award, based on the cost of attendance calculated above and the Expected Family Contribution, from the Payment or Disbursement Schedule for the student's enrollment status (i.e., full-time, three quarter-time, half-time or less than half-time).
- (4) Determine the payment period. For term programs (semester, trimester, quarter), the payment period is the term.
- (5) Calculate the payment for the payment periods. The calculation of the payment for the payment period may vary depending on the formula used, the length of the program compared to the academic year, and whether the institution uses an alternative calculation for students who attend summer terms (See Chapter 4 of the Federal SFA Handbook).
- (6) Disburse funds at prescribed times (This is tested under section N, Special Tests and Provisions) (34 CFR sections 690.3, 690.61 through 690. 67, Pell Grant Payment Schedules and *Federal SFA Handbook*).

**Campus-Based Programs (FPL, FWS, FSEOG)**

The maximum amount that can be awarded under the campus-based programs is equal to the student's financial need (COA minus EFC) minus aid from other SFA programs and other resources. For programs of study or enrollment periods less than or greater than an academic year, the COA for loans and campus-based aid is based on the student's actual costs for the period for which need is being analyzed, rather than being prorated to the costs for a full-time student for a full academic year. The financial aid administrator has discretion in awarding amounts from each program, subject to certain limitations.

**FSEOG**

The FSEOG program provides grants to eligible undergraduate students. Priority is given to Federal Pell recipients who have the lowest expected family contributions. The institution decides the amount of the grant, which can be up to \$4000 but not less than \$100, for an academic year (34 CFR sections 676.10 and 676.20).

**FPL**

Annual loan maximums at an institution not participating in the Expanded Lending Option (ELO) Program are: \$3000 for a student who has not successfully completed a

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

program of undergraduate education (\$15,000 cumulative), or \$5000 for a graduate or professional student (\$30,000 cumulative, including loans borrowed as an undergraduate student) ( 34 CFR section 674.12 and the *Federal SFA Handbook*).

Annual loan maximums at institutions participating in the ELO Program are: \$4000 for a student who has not successfully completed a program of undergraduate education (\$8000 cumulative for a student who has not successfully completed two years of a program leading to a bachelor's degree, \$20,000 cumulative for a student who has successfully completed 2 years of a program leading to a bachelor's degree but who has not completed the work necessary for the degree), or \$6000 for a graduate or professional student (\$40,000 cumulative, including loans borrowed as an undergraduate student) (34 CFR section 674.7 and the *Federal SFA Handbook*).

**Federal Family Education Loan Program (FFEL, CFDA 84.032)**

**William D. Ford Federal Direct Loan Program (Direct Loan, CFDA 84.268)**

In determining loan amounts for subsidized loans, the financial aid administrator subtracts from the COA the EFC and the estimated financial assistance for the period of enrollment that the student (or parent on behalf of the student) will receive from Federal, State, institutional or other sources. Unsubsidized loans, PLUS loans, loans made by a school to assist the student, and state-sponsored loans may be used to substitute for EFC (34 CFR sections 682.200 and 682.603, sections 685.102 and 685.301).

The annual loan limits apply to the length of the school's academic year. Except for PLUS loans and for graduate or professional students, proration of a loan is required when a program is less than an academic year in either clock hours or credit hours or number of weeks; or a program exceeds an academic year but the portion of the program in excess of an academic year remaining is less than an academic year in length. For the purpose of determining loan limits, the number of years that a student has completed in a program of undergraduate study includes any prior enrollment (at the same or another institution) in an eligible program of undergraduate education for which the student was awarded an associate or bachelor's degree, as long as the degree is required by the school for admission to the program in which the student is currently enrolled. The loan limits described below apply to both the FFEL and Direct Loan programs and are cumulative. For example, an undergraduate student who has borrowed \$10,000 in subsidized FFEL and \$13,000 in subsidized direct loans has reached the aggregate undergraduate limit of \$23,000 for both programs (34 CFR sections 682.204 and 685.203).

*Annual Limits for Subsidized Loans*

For an undergraduate student who has not yet successfully completed the first year of study: (1) up to \$2,625 for a program of study at least an academic year in length; (2)



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

up to \$1,750 for a program at least two-thirds of an academic year but less than a full year; and (3) up to \$875 for a program at least one third but less than two-thirds of an academic year.

For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program: (1) up to \$3,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated.

For an undergraduate student who has successfully completed the first and second year of study but has not successfully completed the remainder of the program or for a student in a program who has an associate or baccalaureate degree which is required for admission into the program: (1) up to \$5,500 for a program of study at least an academic year in length, and (2) for programs with less than an academic year remaining, the loan must be prorated.

Graduate or professional students may borrow up to \$8,500 per academic year.

*Annual Limits for Unsubsidized Loans*

A student may receive an unsubsidized loan for the amount that is the difference between the subsidized amount for which he or she was eligible and the subsidized amount that he or she received. For dependent undergraduate students, the unsubsidized loan is the difference between the student's cost of attendance and the student's estimated financial assistance (including a subsidized loan if the student qualifies for one). Loan limits are the same as for subsidized loans.

Additional eligibility for unsubsidized loans, beyond the base subsidized/unsubsidized amount, is available to all independent students and to dependent students whose parents are likely to be precluded by exceptional circumstances from receiving a PLUS loan, as determined by the SFA administrator.

For a student who has not successfully completed the first two years of undergraduate study: (1) up to \$4000 for a program of study at least an academic year in length; (2) up to \$2,500 for a program at least two-thirds of an academic year but less than a full year; and, (3) up to \$1,500 for a program at least one third of an academic year but less than two-thirds of an academic year.

For a student who has successfully completed the first and second years of an undergraduate program but who has not successfully completed the remainder of the program: (1) up to \$5000 for a program of study at least an academic year in length; and, (2) for programs with less than a full academic year remaining, the loan must be prorated.

Graduate or professional students may borrow up to \$10,000 per academic year.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Exceptions: Annual increased loan limits for certain health professions students who previously borrowed under the HEAL program are authorized. See Dear Colleague Letter GEN-96-14 and subsequent Dear Colleague Letters for detailed information.

*Aggregate Loan Limits for Subsidized and Unsubsidized Loans*

Aggregate loan limits for subsidized and unsubsidized loans is \$23,000 for a dependent undergraduate student; \$46,000 for an independent student; and \$138,500 (\$65,500 subsidized and \$73,000 unsubsidized) for a graduate or professional student (includes loans for undergraduate study).

*Parent Loans for Undergraduate Students (PLUS)*

PLUS loans are limited to parent borrowers. A PLUS loan may not exceed the student's estimated cost of attendance minus other financial aid awarded during the period of enrollment for that student (FFEL, 34 CFR sections 682.201 and 682.204; Direct Loan, 34 CFR sections 685.200 and 685.203) .

**2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable**

**3. Eligibility for Subrecipients - Not Applicable**

**G. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS**

**1. Matching**

**Federal Perkins Loan (CFDA 84.038)**

The institution's matching share (Institutional Capital Contribution (ICC)) is one third of the Federal Capital Contribution (FCC) (or 25 percent of the combined FCC and ICC), except that schools participating the ELO program must provide a dollar for dollar match with the FCC (34 CFR sections 674.7 and 674.8).

**Federal Supplemental Educational Opportunity Grant (CFDA 84.007)**

The Federal share of awards may not exceed 75 percent of the total FSEOG awards made by the school. The Secretary may authorize 100 percent Federal funding if certain conditions are met (34 CFR section 676.21).

**Federal Work Study (CFDA 84.033)**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

The Federal share of Federal Work Study (FWS) compensation paid a student employed other than by a private for-profit organization may not exceed 75 percent of the total FWS awards made by the school. The Federal share of FWS for work at private-for-profit organizations is limited to 50 percent. A Federal share of 100 percent is allowable in two situations: (1) (a) the institution is designated an eligible institution under the HEA Title III Strengthening Institutions Program or the Strengthening Historically Black Colleges and Universities Program, (b) the work is performed by the student for the institution, a public agency, or a private nonprofit organization, and (c) the increased Federal share was requested by the institution as part of its FWS application for that year; or (2) (a) the student is employed as a reading tutor for children who are in preschool through elementary school, and (b) the work is performed by the student for the institution, a public agency, or a private nonprofit organization (34 CFR section 675.26).

**Health Professions Student Loan (HPSL), CFDA 93.342**

**Nursing Student Loan (NSL), CFDA 93.364**

The institution's matching share (ICC) is one ninth of the FCC and must be deposited in a health professions student loan fund (42 CFR sections 57.202 and 57.302).

**2. Level of Effort - Not Applicable**

**3. Earmarking**

**Federal Work Study (CFDA 84.033)**

An institution shall use at least 5 percent of its allocation for an award year to compensate students employed in community service activities unless waived by the Secretary. The institution can only use up to 10 percent of its FWS or \$50,000 whichever is less for a JLD program (34 CFR sections 675.18 and 675.32).

**L. REPORTING**

**1. Financial Reporting**

- a. SF-269, *Financial Status Report* - Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Program* - Not Applicable
- d. SF-272, *Federal Cash Transaction Report* - Not Applicable
- e. ED/PMS-272, *Federal Cash Transactions Report - Status of Federal Cash and ED/PMS-272a, Federal Cash Transactions Report (OMB No. 1880-0172)* - These reports replace the SF-272 for the Pell, FPL, FSEOG, and FWS. They are required to be completed monthly or quarterly, depending

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

on the amount of funds received. The reports are sent by ED to the institution and are completed and returned. This may be done electronically or with hard copy (34 CFR section 668.14, *Federal SFA Handbook*).

- f. *Pell Payment Data (OMB 1840-0668)* - The Pell Payment Data is the term used to refer to the electronic or magnetic payment record used to report to ED the Pell payments to students. The record contains the EFC, COA, enrollment status and disbursement information. After the school receives a SAR or ISIR, the school completes the Payment Data by filling in awards information. The school periodically sends payment data to ED in a batch on one of three automated systems: Electronic Data Exchange, Recipient Data Exchange or Floppy Disk Data Exchange. ED processes the Payment Data and returns Processed Payment Data to the school. The Processed Payment Data includes the information originally provided by the school along with ED identification of what category each record was placed: Rejected, Accepted with Assumptions, Duplicates and Accepted. In testing the Pell Payment data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with assumptions (34 CFR section 690.83 and *Federal SFA Handbook*).

**2. Performance Reports - Not Applicable**

**3. Special Reports**

*Fiscal Operations Report and Application to Participate (FISAP) (ED Form 646-1) (OMB No. 1840-0073)* - This electronic report is submitted annually to receive funds for the campus-based programs. The school uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 1997, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 1997, and the *Application to Participate* for the 1998-99 award year. Key items are as follows (FPL, FWS, FSEOG 34 CFR section 674.3; FWS, 34 CFR section 675.3; FSEOG, 676.3, *Instruction Booklet for Fiscal Operations Report and Application to Participate*):

Part II, Application

- Section C, Line 6 or 7 and 8, whichever is applicable
- Section D, Lines 22-24
- Section E, Lines 25-40 (Trace a sample of line items)

Part III, Fiscal Operations Report

- Section A (Trace material line items)
- Sections B-D

Parts IV and V

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- All sections

Part VI

- Section A (Trace a sample of line items)

## **N. SPECIAL TESTS AND PROVISIONS**

### **1. Separate Funds (HPSL, NSL, FPL)**

**Compliance Requirement** - The institution must maintain a separate fund account for each program (HPSL, 42 CFR section 57.205; NSL, 42 CFR part 305; and FPL 34 CFR sections 674.8 and 674.19).

**Audit Objective** - Determine whether separate fund account(s) were established.

#### **Suggested Audit Procedures**

Review accounting records to verify that a separate fund was established for each program.

### **2. Verification**

**Compliance Requirement** - An institution shall require each applicant whose application is selected by the central processor, based on edits specified by ED, to verify the items specified in 34 CFR section 668.56. The institution is not required to verify the applications of more than 30 percent of its total number of applicants. The institution shall also require applicants to verify any information used to calculate EFC it has reason to believe is inaccurate. The institution is required to establish written policies and procedures that incorporate provisions of 34 CFR section 668.53 for verifying this information. Acceptable documentation for the items is listed in 34 CFR section 668.57.

**Audit Objective** - Determine whether the institution established policies and procedures to verify information in student aid applications, and verified all required information of selected applications in accordance with the requirements.

#### **Suggested Audit Procedures**

- a. Review the institution's policies and procedures for verifying student applications and verify that they meet the requirements of 34 CFR section 668.53.
- b. Select a sample of applications that were selected for verification and review student aid files to ascertain whether the institution obtained acceptable documentation to verify the information required.

### **3. Disbursements To Or On Behalf of Students**

#### **Compliance Requirement**

##### *Title IV Programs - General*

The institution may not make a disbursement to a student for a payment period or period of enrollment until the student is enrolled in classes for the period. The earliest an institution may disburse SFA funds other than FWS (either paying the student directly or crediting the student's account) is 10 days before the first day of the payment period or period of enrollment for which the disbursement is intended. However, institutions may not disburse or deliver the first installment of FFEL or Direct Loans to first year undergraduates who are first time borrowers until 30 days after the student's first day of classes.

If a student received financial aid while attending one or more other institutions, the financial aid administrator must request a financial aid transcript (FAT) from the other institutions or obtain the information from the National Student Loan Data System (See Dear Colleague Letter 96-13). Once the FAT is requested, the institution can pay the student Pell and campus-based aid for one payment period only and can certify a FFEL loan or originate a Direct Loan. However, the institution can't release the proceeds of FFEL or Direct Loans or make any subsequent payments under the Pell or campus-based programs until the FAT is received (34 CFR sections 668.19).

For students whose applications were selected for verification, if the institution has reason to believe that information included in the application is inaccurate, the institution may not: (1) disburse any Pell or campus-based aid; (2) employ the applicant in its FWS program; or (3) certify FFEL loans or originate Direct Loans (or process proceeds of previously certified or originated loans) until the applicant verifies or corrects the information. If the institution doesn't have any reason to believe that the information is inaccurate, the institution may withhold payment aid and loan certification, or may make one disbursement of Pell or campus-based aid, employ or allow an employer to employ an eligible student under FWS for the first 60 consecutive days after the student's enrollment and may certify the FFEL loan or originate the Direct Loan, but can't process the proceeds. If the verification process is not complete after 45 days, the institution shall return the proceeds to the lender (34 CFR section 668.58).

##### *Pell*

To disburse Pell funds, the institution must have received a valid ISIR from the central processor or a valid SAR from the student by the earlier of the last work day in August following the end of the award year or the last date that the student is still enrolled and eligible for payment. The institution has discretion in disbursing funds within a payment period, but must disburse the full amount before the end of the payment period. The

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

institution must review and document the student's eligibility before it makes a payment (34 CFR sections 690.61 and, 690.75 through 690.78).

*FPL*

If the institution is making a loan for a full academic year and uses standard academic terms, the institution must advance a portion of the loan during each payment period. If standard academic terms are not used, it must advance funds at least twice during the academic year - once at the beginning and once at the midpoint. Loan payments must be supported by a signed promissory note (34 CFR section 674.16).

*FFEL*

The institution must determine that the student has maintained eligibility for the FFEL loan before each disbursement of loan proceeds. Multiple disbursements are required and the institution is required to provide the lender with a disbursement schedule. Loan funds provided by electronic fund transfer or master check may not be requested earlier than: 27 days after the first day of classes of the first payment period for a first-year, first-time Stafford Loan borrower; or 13 days before the first day of classes for any subsequent payment period for a first-year, first-time Stafford Loan borrower or for any payment period for all other FFEL borrowers (34 CFR sections 682.603, 682.604 and 682.605).

*Direct Loan*

Except in the case of an allowable late disbursement (see 34 CFR Section 685.303(d)), before disbursing the loan proceeds, the institution must determine that the student maintained continuous eligibility from the beginning of the loan period described in the promissory note. Option 1 and Option 2 institutions may not disburse loan proceeds until they have obtained a legally enforceable promissory note. Option 1 and standard origination institutions may only disburse funds for students listed on the Actual Disbursement Roster (34 CFR sections 685.301 and 685.303).

*HEAL*

Multiple disbursements are normally required and correspond to the borrower's educational expenses for the period for which the disbursement is made. The school must indicate periods and expenses on the loan application (HEAL, 42 CFR sections 60.33 and 60.52).

*HPSL and NSL*

Student loans may be paid to or on behalf of student borrowers in installments considered appropriate by the school, except that a school may not pay to or on behalf of any borrowers more than the school determines the student needs for any given

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

installment period (e.g., semester, term, or quarter). At the time of payment a HSPL borrower must be a full time student, a NSL borrower must be at least a half time student (HPSL, 42 CFR section 57.209; NSL, 42 CFR section 57.309). Each student loan must be evidenced by a properly executed promissory note (HPSL, 42 CFR section 57.208; NSL, 42 CFR section 57.308).

*FWS*

The student's wages are earned when the work is performed. The institution shall pay the student at least once per month. The Federal share must be paid by check or similar instrument the student can cash on his or her endorsement (34 CFR section 675.16).

**Audit Objective** - Determine whether disbursements to students were made in accordance with required time frames and required reviews were made and documents obtained before disbursing SFA funds.

#### **Suggested Audit Procedures**

- a. Review a sample of disbursements to students and verify that they were made in accordance with required timeframes and for Direct Loan Option 1 and standard origination institutions, only to the students listed on the Actual Disbursement Roster.
- b. Review loan or other files to verify that the institution performed required procedures and obtained required documents prior to disbursing funds.

#### **4. Refunds**

**Compliance Requirement** - A school is required to have a fair and equitable refund policy under which the school shall make refunds of unearned tuition, fees, room and board and other charges to a student who received HEA Title IV Student Financial Assistance. Under the FFEL program, the school pays to the original lender (or subsequent holder, if the loan has been transferred and the school knows the new holder's identity) the portion of the refund that is allocable to the loan. Refund checks should be promptly processed (34 CFR section 668.22).

##### *Calculation of Amounts*

The refund policy should provide for a refund of at least the larger of the amount provided by: (1) applicable State law; (2) the standards established by the institution's nationally recognized accrediting agency and approved by the Secretary of Education; or (3) the pro rata refund calculation described below, for any student attending the school for the first time, and who withdrew on or before the 60 percent point of the enrollment period. After calculating all possible refund amounts (State, accrediting agency, and statutory pro rata), the school must compare and use the calculation that



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

provides the largest refund. If the pro rata refund calculation in (3) above does not apply (i.e., the student is not attending the institution for the first time or withdrew after the 60% point in time for the enrollment period) and there are no standards for refunds established by State law or the accrediting agency, the refund should be at least the larger of the amount provided by (1) the Federal Refund calculation described below or (2) the school's policy (the policy it uses for non-SFA students) (34 CFR section 668.22).

Refunds of \$25 or less may not have to be repaid. A refund returned to an SFA loan program would reduce the amount of the loan that a student would have to repay. A school may not keep any portion of a refund that would be distributed to an SFA loan program unless the school has written authorization from the student in the enrollment agreement to do so. The enrollment agreement must explain clearly that the student is permitting the school to keep the funds, rather than having the funds used to reduce the student's debt, should the student withdraw (34 CFR section 668.22).

The pro rata refund referred to above means a refund of not less than that portion of the tuition, fees, room, board, and other charges assessed the student by the institution equal to the portion of the period of enrollment for which the student has been charged that remains on the withdrawal date, rounded down to the nearest 10 percent of that period, less: (1) any unpaid amount of a scheduled cash payment; (2) a reasonable administrative fee not to exceed the lesser of 5 percent or \$100; and, (3) documented costs of equipment issued to the student that is unreturnable or not returned in good condition (34 CFR section 668.22).

The Federal refund calculation referred to above means a refund of not less than the portion of institutional charges to be refunded as follows (34 CFR section 668.22):

1. If the student withdraws, drops out, or is expelled before the first day of classes:
  - (a) Any amount paid to the student under FPL, FSEOG and the Federal Pell grant programs are considered an overpayment and must be returned to the respective program. (See 34 CFR sections 668.21, 682.604(d) and 685.303)
  - (b) All loan proceeds under the FFEL and Direct Loan programs should be returned to the lender within 30 days of the first day of the period of enrollment.
2. If the institution can't document that a student attended during the period of enrollment:
  - (a) Any amount paid to the student under FPL, FSEOG and Pell grant programs are considered an overpayment and must be returned to the respective program.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- (b) The institution shall return to FFEL or Direct Loan any loan proceeds directly credited to the student's account, and any amount paid by the student directly to the school, up to the amount of loan proceeds delivered by the school to the student.
- 3. If the student withdraws on the first day of classes, the institution must refund 100 percent of institutional charges, less an administrative fee, if any, not to exceed the lesser of 5 percent or \$100.
- 4. If the student withdraws any time after the first day of classes up to and including the first 10 percent (in time) of the enrollment period, the institution must refund at least 90 percent of institutional charges, less an administrative fee, if any, not to exceed the lesser of 5 percent or \$100.
- 5. If the student withdraws any time after the end of the first 10 percent of the enrollment period up to and including the first 25 percent of the enrollment period, the institution must refund at least 50 percent of institutional charges, less an administrative fee, if any, not to exceed the lesser of 5 percent or \$100.
- 6. If the student withdraws any time after the end of the first 25 percent of the enrollment period up to and including the first 50 percent of the enrollment period, the institution must refund at least 25 percent of institutional charges, less an administrative fee, if any, not to exceed the lesser of 5 percent or \$100.

The withdrawal date used to calculate the refund is the earlier of: (a) the date that the student notifies an institution of the student's withdrawal, or the date of withdrawal specified by the student, whichever is later; or (b) if the student drops out of the institution without notifying the institution (does not withdraw officially), the last recorded date of class attendance by the student, as documented by the institution.

*Allocation of Refunds to Programs*

Refunds must be distributed in the order prescribed below. The prescribed order must be followed regardless of the school's agreements with other State agencies or private agencies (34 CFR section 668.22(h) and the *Federal SFA Handbook*).

- 1. Federal SLS Loan
- 2. Unsubsidized Federal Stafford Loan
- 3. Subsidized Federal Stafford Loan
- 4. Federal PLUS Loan
- 5. Unsubsidized Federal Direct Stafford Loan
- 6. Subsidized Federal Direct Stafford Loan
- 7. Federal Direct Plus Loan
- 8. Federal Perkins Loan
- 9. Federal Pell Grant

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

10. Federal Supplemental Education Opportunity Grant
11. Other SFA Programs
12. Other Federal, State, private, or institutional sources of aid
13. The student.

The school must pay the portion of a refund that is allocated to a HEAL loan directly to the original lender or a subsequent holder of a note. The borrowers must be notified by the school of such action (42 CFR section 60.54).

*Timing of Refunds*

Refunds due to the SFA programs (including Direct Loan) are required to be deposited to the SFA accounts within 30 days or returned to the appropriate FFEL lender within 60 days of the date the student officially withdraws, is expelled or the institution determines the student unofficially withdrew or no later than 30 days following the expiration of an approved leave of absence. See Chapter 3 of the *Federal SFA Handbook* for a detailed discussion on determining a withdrawal date (34 CFR sections 668.22, 682.607, and 685.306).

**Audit Objective** - Determine whether the institution is making refunds in the proper amount and in a timely manner and is applying the refunds to Federal programs as required.

**Suggested Audit Procedures**

- a. Identify a sample of students who withdrew or dropped during the refund period. Review refund determination/calculation for conformity with requirements.
- b. Trace refunds to disbursement and accounting records (including canceled checks to lenders and students) to verify that refunds were applied to programs in the required order, that disbursements to lenders and students were made when applicable and that credits and payments were made within required time frames.
- c. For a sample of students for which no refunds were made, review academic records to ascertain whether the students completed the enrollment period. For students who received all failing and/or incomplete grades, review attendance records to ascertain whether the students had dropped out and were due a refund.

**5. Student Status Changes (HEAL, FFEL and Direct Loan)**

**Compliance Requirement** - Each school must notify the holder of the HEAL loan of any change in the student's enrollment status within 30 days following the change in status. The school must also notify the lender of any change in the student's name or

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

address. Under the FFEL and Direct Loan programs, schools must complete and return within 30 days of receipt student status confirmation reports sent by guaranty agencies and the Secretary. Unless the school expects to complete its next student status report within 60 days, the school must notify lender or guaranty agency (for FFEL loans) or the Secretary (for Direct Loans) within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis ( HEAL, 42 CFR 60.53; FFEL, 34 CFR section 682.610; Direct Loan 34 CFR section 685.309). (Note: This process is undergoing revision. When revised, the institution will receive/submit SSCR data to the National Student Loan Data System maintained by ED (or a contractor), rather than to the guaranty agencies.)

**Audit Objective** - Determine whether the institution is promptly notifying lenders (or other appropriate parties) of changes in student status in a timely and accurate manner.

**Suggested Audit Procedures**

- a. Select a sample of HEAL borrowers that graduated, withdrew or dropped out during the period. Review loan or correspondence files to verify that the institution notified the lender of the change in student status within the required time frame.
- b. Select a sample of FFEL/Direct Loan borrowers that graduated, withdrew or dropped out during the period. Verify that the change in student status was reported to the lender or other appropriate party within 30 days, or was included in a student status confirmation report within 60 days.

**6. Student Loan Repayments (FPL, HPSL and NSL)**

**Compliance Requirement** - Each student loan, including accrued interest, will be repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10 year repayment period. Except as required in 42 CFR section 57.210(a), a repayment of a HPSL loan must begin one year after the student ceases to be a full time student. For a NSL loan, repayment must begin nine months after the student ceases to be a full time or half time student, except as required in 42 CFR section 57.310(a). For a FPL loan, the institution must establish a repayment plan. The repayment period begins after an initial grace period of either six months or nine months after the student ceases to be at least a half-time student at an institution of higher education, depending on when the loan was made (34 CFR section 674.31(b)(2)).

Borrowers may be eligible for loan deferments or cancellations under certain circumstances. Examples of when loan payments may be deferred are when the borrower is in certain student statuses at other eligible institutions, employed as a full-time teacher at certain schools, employed full-time in other specified occupations, or

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

serving in the military or as a volunteer in the Peace Corps, ACTION programs or other programs deemed to be comparable. Loans may be canceled based on full-time employment as a teacher at certain schools or specified fields, other qualifying employment, military or other volunteer service, and death or disability. Cancellation rates (amount of loan that is canceled for each year of qualifying service) vary, depending on the criteria. Specific requirements for deferment and cancellation vary, depending on when the loan was made. To qualify for a deferment or cancellation, the borrower is required to submit to the institution to which the loan is owed a written request for the deferment or cancellation, with documentation required by the institution, by the date established by the institution (FPL, 34 CFR sections 674.33 through 674.40 and 674.51 through 674.62; HSPL, 42 CFR sections 57.201, 57.211 and 212; NSL, 42 CFR section 57.311 through 313a).

Institutions must exercise due care and diligence in the collection of loans (For HPSL and NSL see 42 CFR section 57.210(b) and 42 CFR section 57.310(b), respectively). For the FPL, such due diligence procedures include the following:

- (1) A requirement to conduct an exit interview with the borrower before he or she leaves the institution and to contact the borrower a minimum of three times during the initial grace period for loans with nine month grace periods or two times for loans with six month grace periods (34 CFR section 674.42).
- (2) Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (see 34 CFR section 674. 43).
- (3) Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (see 34 CFR section 674.45).

**Audit Objective** - Determine whether institutions are processing deferment and cancellation requests and servicing loans as required.

**Suggested Audit Procedures**

- a. Select a sample of loans that entered repayment during the audit period and review loan records to verify that the conversion to repayment was timely, and that a repayment plan was established.
- b. Review the institution's requirements for applying for and documenting eligibility for loan deferments and cancellations. Select a sample of loan deferments and loan cancellations and review documentation to ascertain whether the deferments or cancellations were adequately supported.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- c. Select a sample of defaulted loans and review loan records to ascertain whether the required interviews, contacts, billing procedures and collection procedures were carried out.

## **7. Federal Work Study Agreements**

**Compliance Requirement** - FWS students may be employed by the institution, a Federal, State or local agency, a private not-for-profit organization or a private for-profit organization but the employment must not: (1) impair existing service contracts; (2) displace employees; (3) fill jobs that are vacant because the employer's regular employees are on strike; or (4) involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction. The institution must enter into a written agreement with any agency or organization providing employment under the FWS program. If the student is employed by a Federal, State, local agency or a private-nonprofit organization, the work that the student performs must be in the public interest. If a student is employed by a private for-profit organization, the work that the student performs must be academically relevant to the student's educational program (34 CFR sections 675.20 through 675.23).

**Audit Objective** - Determine whether written agreements with employers are made as required.

### **Suggested Audit Procedures**

Select a sample of participating students and ascertain if written agreements with the employers were executed.

## **IV. OTHER INFORMATION**

**Pell Adjustments** - The following is intended to alert auditors that their clients may request them to perform additional audit work in conjunction with the single audit, in order to claim Pell adjustments. It is not intended that this be covered otherwise.

All Pell Payment Data for an award year must be submitted by September 30 after the award year. Adjustments for Pell grants not claimed by September 30 can be made if the first audit report for the period in which the unclaimed Pell grants were made contains a finding that the institution made proper Pell awards for which it has not received either reimbursement or credit. ED has issued a Dear Colleague Letter (GEN 94-14) that provides instructions to institutions for reporting the Pell adjustments and describes the auditor's responsibilities. As of the date of this Compliance Supplement, ED was in the process of issuing a new Dear Colleague Letter which will supersede GEN 94-14.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

**APPENDIX A**  
**FEDERAL STUDENT FINANCIAL ASSISTANCE PROGRAMS**  
**STUDENT ELIGIBILITY COMPLIANCE REQUIREMENTS**

	Requirements	P E L L	F W S	F S E O G	F P L	F F E L P	F D L	H E A L	H P S L	N S L	E F N S
1.	A regular student enrolled or accepted for enrollment in an eligible program (34 CFR 600.2, 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200, 42 CFR 60.5, 57.206(a), 57.306(a), 57.2804)	X	X	X	X	X	X	X	X	X	X
2.	U.S. Citizen or National (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.5, 57.206(a), 57.306(a), 57.2804)	X	X	X	X	X	X	X	X	X	X
3.	Has Financial Need (34 CFR 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.51(f), 57.206, 57.306(b), 57.2804(b)(1))	X	X	X	X	X <sub>(1)</sub>	X <sub>(1)</sub>	X	X	X	X
4.	Does not owe a refund on a grant awarded under the Pell Grant, or FSEOG programs (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.51(d), 57.206, 57.306)	X	X	X	X	X	X	X	X	X	
5.	Not in default on any student loans (34CFR 668.32, 690.75, 675.0, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.51(d), 57.206, 57.306)	X	X	X	X	X	X	X	X	X	
6.	Must maintain good standing or satisfactory progress (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.5(d), 57.306)	X	X	X	X	X	X	X		X	
7.	Has registered under Section 3 of the Military Selective Service Act (34 CFR 668.32, 668.37, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200; 42 CFR 60.5, 57.206)	X	X	X	X	X	X	X	X		
8.	Has a correct social security number (34 CFR 668.32, 690.75, 675.9, 676.90, 674.9, 682.201, 685.200)	X	X	X	X	X	X				
9.	High School Diploma or GED (34 CFR 668.32, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200)	X	X	X	X	X	X				
10.	Above the age of compulsory school attendance in the State in which the institution he or she is attending is located (34 CFR 600.2, 600.4, 600.6, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200)	X	X	X	X	X	X				
11.	Ability to Benefit (34CFR 668.32, 668 Subpart J, 690.75, 675.9, 676.9, 674.9, 682.201, 685.200)	X	X	X	X	X	X				
12.	In need of a loan (scholarship) to pursue a course of study at the school (42 CFR 60.5(h), 57.206(a), 57.306(a), 57.2804)							X	X	X	X

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

	Requirements	P E L L	F W S	F S E O G	F P L	F F E L P	F D L	H E A L	H P S L	N S L	E F N S
13.	An undergraduate student has received for award year, a SAR or determination of eligibility or ineligibility for a Pell Grant (34 CFR 674.9, 682.201, 690.75)	X			X	X					
14.	Is not incarcerated (34 CFR 668.32)				X	X	X				
15.	Enrolled, as at least a half-time student, in a course of study necessary for enrollment in an eligible program for not longer than one 12-month period (34 CFR 668.32)					X	X				
16.	Parents can receive a PLUS loan if conditions are met (34 CFR 682.201, 685.200)					X	X				
17.	Exceptional financial need must be demonstrated (42 CFR 57.2804(b)(1))										X
18.	Is not incarcerated in a Federal or State penal institution (34 CFR 668.32)	X									
19.	Student agrees loan funds will be used for tuition, educational , living and transportation expenses (42 CFR 60.5(g))							X			
20.	Non-Student borrowers (42 CFR 60.6)							X			
21.	Special requirements for students enrolled in pharmacy, medical, dental or osteopathic programs (42 CFR 60.5(e)(f))							X			
22.	Student is willing to repay the loan (34 CFR 674.9)				X						
23.	Students with the lowest expected family contributions who will also receive Pell Grants in award year (34 CFR 676.10)			X							
24.	Cannot be recipient of a National Health Service Corps Scholarship under Section 751 of the Act, or an Indian Health Scholarship, under Section 757 of the Act, (42 CFR 57.2804(c))										X

### OTHER CLUSTERS

#### Programs Included in this Supplement Deemed to Be Other Clusters

Agency CFDA No. Name of Other Cluster/Program

#### Food Stamp Cluster

USDA 10.551 Food Stamp Program

10.561 State Administrative Funding for the Food Stamp Program

#### Section 8 Cluster

HUD 14.182 Section 8 New Construction and Substantial Rehabilitation

14.855 Section 8 Rental Voucher Program

14.856 Lower Income Housing Assistance Program - Section 8



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Moderate Rehabilitation  
14.857 Section 8 Rental Certificate Program  
(No Number) Section 8 Moderate Rehabilitation Program for Single Room  
Occupancy Dwellings for Homeless Individuals

**CDBG - Entitlement and (HUD-Administered) Small Cities  
Cluster**

HUD 14.218 Community Development Block Grants/Entitlement Program  
14.219 Community Development Block Grants/Small Cities Program

**Medicaid Cluster**

HHS 93.778 Medical Assistance Program (Medicaid, Title XIX)  
93.775 State Medicaid Fraud Control Units  
93.777 State Survey and Certification of Health Care Providers and  
Suppliers

**Programs Not Included in this Supplement Deemed to Be Other Clusters**

Agency CFDA No. Name of Other Cluster/Program

**Nutrition Cluster**

USDA 10.553 School Breakfast Program  
10.555 National School Lunch Program  
10.556 Special Milk Program for Children  
10.558 Child and Adult Care Food Program  
10.559 Summer Food Service Program for Children

**Rural Rental Housing Cluster**

USDA 10.415 Rural Rental Housing Loans  
10.427 Rural Rental Assistance Payments

**Transit Capital Grants Cluster**

DOT 20.500 Federal Transit Capital Improvement Grants  
20.507 Federal Transit Capital and Operating Assistance Formula Grants

**HIV Emergency Relief Cluster**

HHS 93.914 HIV Emergency Relief Projects Grants  
93.915 HIV Emergency Relief Formula Grants

**Foster Grandparent, Senior Companion Cluster**

Corporation for National  
and Community Service  
94.011 Foster Grandparent Program  
94.016 Senior Companion Program

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

1. Does not always apply to unsubsidized loans.

## **PART 6 - INTERNAL CONTROL**

### **INTRODUCTION**

The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving Federal awards (e.g., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. OMB Circular A-133 requires auditors to obtain an understanding of the non-Federal entity's internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is likely to be ineffective, perform testing of internal control as planned.

This Part 6 is intended to assist non-Federal entities and their auditors in complying with these requirements by describing for each type of compliance requirement, the objectives of internal control, and certain characteristics of internal control that when present and operating effectively may ensure compliance with program requirements. However, the categorizations reflected in this Part 6 may not necessarily reflect how an entity considers and implements internal control. Also, this part is not a checklist of required internal control characteristics. Non-Federal entities could have adequate internal control even though some or all of the characteristics included in Part 6 are not present. Further, non-Federal entities could have other appropriate internal controls operating effectively that have not been included in this Part 6. Non-Federal entities and their auditors will need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.

The objectives of internal control pertaining to the compliance requirements for Federal programs (Internal control over Federal Programs), as found in §\_\_\_\_.105 of OMB Circular A-133, are as follows:

- (1) Transactions are properly recorded and accounted for to:
  - (i) Permit the preparation of reliable financial statements and Federal reports;
  - (ii) Maintain accountability over assets; and
  - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- (2) Transactions are executed in compliance with:
  - (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
  - (ii) Any other laws and regulations that are identified in the compliance supplements; and
- (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

The characteristics of internal control are presented in the context of the components of internal control discussed in *Internal Control-Integrated Framework* (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements. Statement on Auditing Standards No. 78 (SAS 78), *Consideration of Internal Control in a Financial Statement Audit*, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) and a related AICPA audit guide, *Consideration of Internal Control in a Financial Statement Audit*, incorporate the components of internal control presented in the COSO Report. SAS 78 is effective for audits of financial statements for periods beginning on or after January 1, 1997. Early application of the provisions in SAS 78 are permitted, however, this Supplement does not require early implementation of SAS 78.

This Part 6 describes characteristics of internal control relating to each of the five components of internal control that should reasonably assure compliance with the requirements of Federal laws, regulations, and program compliance requirements. A description of the components of internal control and examples of characteristics common to the 14 types of compliance requirements are listed below. Objectives of internal control and examples of characteristics specific to each of the 14 types of compliance requirements follow this introduction.

**Control Environment** sets the tone of an organization influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

- Sense of conducting operations ethically, as evidenced by a code of conduct or other verbal or written directive.
- Management's positive responsiveness to prior questioned costs and control recommendation.
- Management's respect for and adherence to program compliance requirements.
- Key managers' responsibilities clearly defined.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Key managers' have adequate knowledge and experience to discharge their responsibilities.
- Staff knowledgeable about compliance requirements and being given responsibility to communicate all instances of noncompliance to management.
- Management's commitment to competence ensures that staff receive adequate training to perform their duties.
- Management's support of adequate information and reporting system.

**Risk Assessment** is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.

- Program managers and staff understand and have identified key compliance objectives.
- Organizational structure provides identification of risks of noncompliance:
  - Key managers have been given responsibility to identify and communicate changes.
  - Employees who require close supervision (e.g. inexperienced) are identified.
  - Management has identified and assessed complex operations, programs, or projects.
  - Management is aware of results of monitoring, audits, and reviews and considers related risk of noncompliance.
- Process established to implement changes in program objectives and procedures.

**Control Activities** are the policies and procedures that help ensure that management's directives are carried out.

- Operating policies and procedures clearly written and communicated.
- Procedures in place to implement changes in laws, regulations, guidance, and funding agreements affecting Federal awards.
- Management prohibition against intervention or overriding established controls.
- Adequate segregation of duties provided between performance, review, and recordkeeping of a task.
- Computer and program controls should include:
  - Data entry controls, e.g., edit checks.
  - Exception reporting.
  - Access controls.
  - Reviews of input and output data.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Computer general controls and security controls.

- Supervision of employees commensurate with their level of competence.
- Personnel with adequate knowledge and experience to discharge responsibilities.
- Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts.

**Information and Communication** are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

- Accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both.
- Adequate source documentation exists to support amounts and items reported.
- Recordkeeping system is established to ensure that accounting records and documentation retained for the time period required by applicable requirements; such as the A-102 Common Rule (§\_\_\_\_.42), OMB Circular A-110 (§\_\_\_\_.53), and the provisions of laws, regulations, contracts or grant agreements applicable to the program.
- Reports provided timely to managers for review and appropriate action.
- Accurate information is accessible to those who need it.
- Reconciliations and reviews ensure accuracy of reports.
- Established internal and external communication channels.

- Staff meetings.

- Bulletin boards.

- Memos, circulation files, e-mail.

- Surveys, suggestion box.

- Employees' duties and control responsibilities effectively communicated.
- Channels of communication for people to report suspected improprieties established.
- Actions taken as a result of communications received.
- Established channels of communication between pass-through entity and subrecipients.

**Monitoring** is a process that assesses the quality of internal control performance over time.

- Ongoing monitoring built-in through independent reconciliations, staff meeting feed back, rotating staff, supervisory review, and management review of reports.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Periodic site visits performed at decentralized locations (including subrecipients) and checks performed to determine whether procedures are being followed as intended.
- Follow up on irregularities and deficiencies to determine the cause.
- Internal quality control reviews performed.
- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.
- Internal audit routinely tests for compliance with Federal requirements.

**A. ACTIVITIES ALLOWED OR UNALLOWED**

and

**B. ALLOWABLE COSTS/COST PRINCIPLES**

**Control Objectives**

To provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

**Control Environment**

- Management sets reasonable budgets for Federal and non-Federal programs so that no incentive exists to miscode expenditures.
- Management enforces appropriate penalties for misappropriation or misuse of funds.
- Organization-wide cognizance of need for separate identification of allowable Federal costs.
- Management provides personnel approving and pre-auditing expenditures with a list of allowable and unallowable expenditures.

•

**Risk Assessment**

- Process for assessing risks resulting from changes to cost accounting systems.
- Key manager has a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a Federal program and not be detected.

**Control Activities**

- Accountability provided for charges and costs between Federal and non-Federal activities.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Process in place for timely updating of procedures for changes in activities allowed and cost principles.
- Computations checked for accuracy.
- Supporting documentation compared to list of allowable and unallowable expenditures.
- Adjustments to unallowable costs made where appropriate and follow-up action taken to determine the cause.
- Adequate segregation of duties in review and authorization of costs.
- Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining activities allowed and allowable costs.

### **Information and Communication**

- Reports, such as a comparison of budget to actual provided to appropriate management for review on a timely basis.
- Establishment of internal and external communication channels on activities and costs allowed.
- Training programs, both formal and informal, provide knowledge and skills necessary to determine activities and costs allowed.
- Interaction between management and staff regarding questionable costs.
- Grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars available to staff responsible for determining activities allowed and allowable costs under Federal awards.

### **Monitoring**

- Management reviews supporting documentation of allowable cost information.
- Flow of information from Federal agency to appropriate management personnel.
- Comparisons made with budget and expectations of allowable costs.
- Analytic reviews (e.g., comparison of budget to actual or prior year to current year) and audits performed.

## **C. CASH MANAGEMENT**

### **Control Objectives**

To provide reasonable assurance that the draw down of Federal cash is only for immediate needs, States comply with applicable Treasury agreements, and recipients limit payments to subrecipients to immediate cash needs.

### **Control Environment**

- Appropriate assignment of responsibility for approval of cash draw downs and payments to subrecipients.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Budgets for draw downs are consistent with realistic cash needs.

### **Risk Assessment**

- Mechanisms exist to anticipate, identify, and react to routine events that affect cash needs.
- Routine assessment of adequacy of subrecipient cash needs.
- Management has identified programs which receive cash advances and is aware of cash management requirements.

### **Control Activities**

- Cash flow statements by program are prepared to determine essential cash flow needs.
- Accounting system is capable of scheduling payments for accounts payable and requests for funds from Treasury to avoid time lapse between draw down of funds and actual disbursements of funds.
- Appropriate level of supervisory review of cash management activities.
- Written policy that provides:
  - Procedures for requesting cash advances as close as is administratively possible to actual cash outlays;
  - Monitoring of cash management activities;
  - Repayment of excess interest earnings where required.
- For State programs subject to a Treasury-State agreement, a written policy exists which includes:
  - Programs covered by the agreement;
  - Methods of funding to be used;
  - Method used to calculate interest; and
  - Procedures for determining check clearing patterns (if applicable for the funding method).

### **Information and Communication**

- Variance reporting of expected versus actual cash disbursements of Federal awards and draw downs of Federal funds.



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Established channel of communication between pass-through entity and subrecipients regarding cash needs.

### **Monitoring**

- Periodic independent evaluation (e.g. by internal audit, top management) of entity cash management, budget and actual results, repayment of excess interest earnings, and Federal draw down activities.
- Subrecipients requests for Federal funds are evaluated.
- Review of compliance with Treasury-State agreements.

### **D. DAVIS-BACON ACT**

#### **Control Objectives**

To provide reasonable assurance that contractors and subcontractors paid prevailing wage rates for projects covered by the Davis-Bacon Act.

#### **Control Environment**

- Management understands and communicates to staff, contractors, and subcontractors the requirements to pay wages in accordance with the Davis-Bacon Act.
- Management understands its responsibility for monitoring compliance.

#### **Risk Assessment**

- Mechanisms in place to identify contractors and subcontractors most at risk of not paying the prevailing wage rates.
- Management identified how compliance will be monitored and the related risks of failure to monitor for compliance with Davis-Bacon Act.

#### **Control Activities**

- Contractors informed in the procurement documents of the requirements for prevailing wage rates.
- Contractors and subcontractors required to submit certifications and copies of payrolls which meet the requirements to pay prevailing wage rates.
- Contractors' and subcontractors' payrolls monitored for compliance with prevailing wage rates.

#### **Information and Communication**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Prevailing wage rates are appropriately communicated.
- Reports provide sufficient information to determine if requirements are being met.
- Channels are established for staff, contractors, and workers to report misclassifications or failure to pay prevailing wages.

### **Monitoring**

- Management reviews to ensure that contractors and subcontractors are being required to pay prevailing wage rates.
- On-site visits are performed to monitor classifications and wage rates.
- Monitoring reports from contractors are compared to independent checks.

## **E. ELIGIBILITY**

### **Control Objectives**

To provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligibles were calculated in accordance with program requirements.

### **Control Environment**

- Staff size and competence provides for proper making of eligibility determinations.
- Realistic caseload/performance targets established for eligibility determinations.
- Lines of authority clear for determining eligibility.

### **Risk Assessment**

- Identification of risk that eligibility information prepared internally or received from external sources could be incorrect.
- Conflict-of-interest statements are maintained for individuals who determine eligibility.
- Process for assessing risks resulting from changes to eligibility determination systems.

### **Control Activities**

- Written policies provide direction for making and documenting eligibility determinations.
- Procedures to calculate eligibility amounts consistent with program requirements.
- Eligibility objectives and procedures clearly communicated to employees.
- Authorized signatures (manual or electronic) on eligibility documents periodically reviewed.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Access to eligibility records limited to appropriate persons.
- Manual criteria checklists or automated process used in making eligibility determinations.
- Process for periodic eligibility re-determinations in accordance with program requirements.
- Verification of accuracy of information used in eligibility determinations.
- Procedures to ensure the accuracy and completeness of data used to determine eligibility requirements.

•

#### **Information and Communication**

- Information system meets needs of eligibility decision-makers and program management.
- Processing of eligibility information subject to edit checks and balancing procedures.
- Training programs inform employees of eligibility requirements.
- Channels of communication exist for people to report suspected eligibility improprieties.
- Management receptive to suggestions to strengthen eligibility determination process.
- Documentation of eligibility determinations in accordance with program requirements.

#### **Monitoring**

- Periodic analytical reviews of eligibility determinations performed by management.
- Program quality control procedures performed.
- Periodic audits of detailed transactions.

### **F. EQUIPMENT AND REAL PROPERTY MANAGEMENT**

#### **Control Objectives**

To provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use.

#### **Control Environment**

- Management committed to providing proper stewardship for property acquired with Federal awards.
- No incentives exist to under-value assets at time of disposition.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Sufficient accountability exists to discourage temptation of misuse of Federal assets.

### **Risk Assessment**

- Procedures to identify risk of misappropriation or improper disposition of property acquired with Federal awards.
- Management understands requirements and operations sufficiently to identify potential areas of noncompliance (e.g., decentralized locations, departments with budget constraints, transfers of assets between departments).

### **Control Activities**

- Accurate records maintained on all acquisitions and dispositions of property acquired with Federal awards.
- Property tags are placed on equipment.
- A physical inventory of equipment is periodically taken and compared to property records.
- Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
- Procedures established to ensure that the Federal awarding agency is appropriately reimbursed for dispositions of property acquired with Federal awards.
- Policies and procedures in place for responsibilities of recordkeeping and authorities for disposition.

### **Information and Communication**

- Accounting system provides for separate identification of property acquired wholly or partly with Federal funds and with non-Federal funds.
- A channel of communication exists for people to report suspected improprieties in the use or disposition of equipment.
- Program managers are provided with applicable requirements and guidelines.

### **Monitoring**

- Management reviews the results of periodic inventories and follows up on inventory discrepancies.
- Management reviews dispositions of property to ensure appropriate valuation and reimbursement to Federal awarding agencies.

## **G. MATCHING, LEVEL OF EFFORT, EARMARKING**

### **Control Objectives**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

To provide reasonable assurance that matching, level of effort, or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued.

**Control Environment**

- Commitment from management to meet matching, level of effort, and earmarking requirements (e.g., adequate budget resources to meet a specified matching requirement or maintain a required level of effort).
- Budgeting process addresses/provides adequate resources to meet matching, level of effort, or earmarking goals.
- Official written policy exists outlining:
  - Responsibilities for determining required amounts or limits for matching, level of effort, or earmarking.
  - Methods of valuing matching requirements, e.g., "in-kind" contributions of property and services, calculations of levels of effort.
  - Allowable costs that may be claimed for matching, level of effort, or earmarking.
  - Methods of accounting for and documenting amounts used to calculate amounts claimed for matching, level of effort, or earmarking.

**Risk Assessment**

- Identification of areas where estimated values will be used for matching, level of effort, or earmarking.
- Management has sufficient understanding of the accounting system to identify potential recording problems.

**Control Activities**

- Evidence obtained such as a certification from the donor, or other procedures performed to identify whether matching contributions:
  - Are from non-Federal sources.
  - Involve Federal funding, directly or indirectly.
  - Were used for another federally-assisted program.

Note: Generally, matching contributions must be from a non-Federal source and may not involve Federal funding or be used for another federally-assisted program.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Adequate review of monthly cost reports and adjusting entries.

**Information and Communication**

- Accounting system capable of:
  - Separately accounting for data used to support matching, level of effort, or earmarking amounts or limits or calculations.
  - Ensuring that expenditures or expenses, refunds, and cash receipts or revenues are properly classified and recorded only once as to their effect on matching, level of effort, or earmarking.
  - Documenting the value of "in-kind" contributions of property or services, including:
    - Basis for local labor market rates for valuing volunteer services.
    - Payroll records or confirmation from other organizations for services provided by their employees.
    - Quotes, published prices, or independent appraisals used as the basis for donated equipment, supplies, land, buildings, or use of space.

**Monitoring**

- Supervisory review of matching, level of effort, or earmarking activities performed to assess the accuracy and allowability of transactions and determinations, e.g., at the time reports on Federal awards are prepared.

**H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS**

**Control Objectives**

To provide reasonable assurance that Federal funds are used only during the authorized period of availability.

**Control Environment**

- Management understands and is committed to complying with period of availability requirements.
- Entity's operations are such that it is unlikely there will be Federal funds remaining at the end of the period of availability.

**Risk Assessment**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- The budgetary process considers period of availability of Federal funds as to both obligation and disbursement.
- Identification and communication of period of availability cut-off requirements as to both obligation and disbursement.

### **Control Activities**

- Accounting system prevents obligation or expenditure of Federal funds outside of the period of availability.
- Review of disbursements by person knowledgeable of period of availability of funds.
- End of grant period cut-offs are met by such mechanisms as advising program managers of impending cut-off dates and review of expenditures just before and after cut-off date.
- Cancellation of unliquidated commitments at the end of the period of availability.

### **Information and Communication**

- Timely communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditure, including automated notifications of pending deadlines.
- Periodic reporting of unliquidated balances to appropriate levels of management and follow up.

### **Monitoring**

- Periodic review of expenditures before and after cut-off date to ensure compliance with period of availability requirements.
- Review by management of reports showing budget and actual for period.

## **I. PROCUREMENT AND SUSPENSION DEBARMENT**

### **Control Objectives**

To provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of the A-102 Common Rule or OMB Circular A-110, as applicable, and that no subaward, contract, or agreement for purchases of goods or services is made with any debarred or suspended party.

### **Control Environment**

- Existence and implementation of codes of conduct and other policies regarding acceptable practice, conflicts-of-interest, or expected standards of ethical and moral behavior for making procurements.
- Procurement manual that incorporated Federal requirements.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Absence of pressure to meet unrealistic procurement performance targets.
- Management's prohibition against intervention or overriding established procurement controls.
- Board or governing body oversight required for high dollar, lengthy, or other sensitive procurement contracts.
- Adequate knowledge and experience of key procurement managers in light of responsibilities for procurements for Federal awards.
- Clear assignment of authority for issuing purchasing orders and contracting for goods and services.

**Risk Assessment**

- Procedures to identify risks arising from vendor inadequacy, e.g., quality of goods and services, delivery schedules, warranty assurances, user support.
- Procedures established to identify risks arising from conflicts-of-interest, e.g., kickbacks, related party transactions, bribery.
- Management understands the requirements for procurement and suspension and debarment, and, given the organization's staff, departments, and processes, has identified where noncompliance could likely occur.
- Conflict-of-interest statements are maintained for individuals with responsibility for procurement of goods or services.

**Control Activities**

- Job descriptions or other means of defining tasks that comprise particular procurement jobs.
- Contractor's performance with the terms, conditions, and specifications of the contract is monitored and documented.
- Establish segregation of duties between employees responsible for contracting and accounts payable and cash disbursing.
- Procurement actions appropriately documented in the procurement files. Supervisors review procurement and contracting decisions for compliance with Federal procurement policies.
- Procedures established to verify that vendors providing goods and services under the award have not been suspended or debarred by the Federal Government.
- Official written policy for procurement and contracts establishing:
  - Contract files that document significant procurement history.
  - Methods of procurement, authorized including selection of contract type, contractor selection or rejection, and the basis of contract price.
  - Verification that procurements provide full and open competition.



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Requirements for cost or price analysis, including for contract modifications.
- Obtaining and reacting to suspension and debarment certifications.
- Other applicable requirements for procurements under Federal awards are followed.
- Official written policy for suspension and debarments that:
  - Contains or references the Federal requirements;
  - Prohibits the award of a subaward, covered contract, or any other covered agreement for program administration, goods, services, or any other program purpose with any suspended or debarred party; and
  - Requires staff to obtain certifications from entities receiving subawards (contract and subcontract) over \$100,000, certifying that the organization and its principals are not suspended or debarred.

**Information and Communication**

- A system in place to assure that procurement documentation is retained for the time period required by the A-102 Common Rule, OMB Circular A-110, award agreements, contracts, and program regulations. Documentation includes:
  - The basis for contractor selection;
  - Justification for lack of competition when competitive bids or offers are not obtained; and
  - The basis for award cost or price.
- Employees' procurement duties and control responsibilities are effectively communicated.
- Channels of communication are provided for people to report suspected procurement and contracting improprieties.

**Monitoring**

- Management periodically conducts independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.

**J. PROGRAM INCOME**

### **Control Objectives**

To provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements.

### **Control Environment**

- Management recognizes its responsibilities for program income.
- Management's prohibition against intervention or overriding controls over program income.
- Realistic performance targets for the generation of program income.

### **Risk Assessment**

- Mechanisms in place to identify the risk of unrecorded or mis-coded program income.
- Variances between expected and actual income analyzed.

### **Control Activities**

- Pricing and collection policies procedures clearly communicated to personnel responsible for program income.
- Mechanism in place to ensure that program income is properly recorded as earned and deposited in the bank as collected.
- Policies and procedures provide for correct use of program income in accordance with Federal program requirements.

### **Information and Communication**

- Information systems identify program income collections and usage.
- A channel of communication for people to report suspected improprieties in the collection or use of program income.

### **Monitoring**

- Internal audit of program income.
- Management compares program income to budget and investigates significant differences.

## **K. REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE**

### **Control Objectives**

To provide reasonable assurance of compliance with the real property acquisition, appraisal, negotiation, and relocation requirements.

### **Control Environment**

- Management committed to ensuring compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA).
- Written policies exist for handling relocation assistance and real property acquisition.

### **Risk Assessment**

- Identification of risk that relocation will not be conducted in accordance with the URA, e.g., improper payments will be made to individuals or businesses that relocate.

### **Control Activities**

- Employees handling relocation assistance and real property acquisition have been trained in the requirements of the URA.
- Review of expenditures pertaining to real property acquisition and relocation assistance by employees knowledgeable in the URA.

### **Information and Communication**

- A system is in place to adequately document relocation assistance and real property acquisition.

### **Monitoring**

- Management monitors relocation assistance and real property acquisition for compliance with the URA.

## **L. REPORTING**

### **Control Objectives**

To provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

### **Control Environment**

- Persons preparing, reviewing, and approving the reports possess the required knowledge, skills, and abilities.
- Management's attitude toward reporting promotes accurate and fair presentation.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Appropriate assignment of responsibility and delegation of authority for reporting decisions.

### **Risk Management**

- Mechanisms exist to identify risks of faulty reporting caused by such items as lack of current knowledge of, inconsistent application of, or carelessness or disregard for standards and reporting requirements of Federal awards.
- Identification of underlying source data or analysis for performance or special reporting that may not be reliable.

### **Control Activities**

- Written policy exists that establishes responsibility and provides the procedures for periodic monitoring, verification, and reporting of program progress and accomplishments.
- Tracking system which reminds staff when reports are due.
- The general ledger or other reliable records are the basis for the reports.
- Supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports.
- The required accounting method is used (e.g., cash or accrual).

### **Information and Communication**

- An accounting or information system that provides for the reliable processing of financial and performance information for Federal awards.

### **Monitoring**

- Communications from external parties corroborate information included in the reports for Federal awards.
- Periodic comparison of reports to supporting records.

## **M. SUBRECIPIENT MONITORING**

### **Control Objectives**

To provide reasonable assurance that Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient noncompliance on the pass-through entity is evaluated. Also, the pass-through entity

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

### **Control Environment**

- Establishment of "tone at the top" of management's commitment to monitoring subrecipients.
- Management's intolerance of overriding established procedures to monitor subrecipients.
- Entity's organizational structure and its ability to provide the necessary information flow to monitor subrecipients is adequate.
- Sufficient resources dedicated to subrecipient monitoring.
- Knowledge, skills, and abilities needed to accomplish subrecipient monitoring tasks defined.
- Individuals performing subrecipient monitoring possess knowledge skills and abilities required.
- Subrecipients demonstrate that:
  - They are willing and able to comply with the requirements of the award and
  - They have accounting systems, including the use of applicable cost principles, and internal control systems adequate to administer the award.
- Appropriate sanctions taken for subrecipient noncompliance.

### **Risk Assessment**

- Key managers understand the subrecipient's environment, systems, and controls sufficient to identify the level and methods of monitoring required.
- Mechanisms exist to identify risks arising from external sources affecting subrecipients, such as risks related to:
  - Economic conditions.
  - Political conditions.
  - Regulatory changes.
  - Unreliable information.
- Mechanisms exist to identify and react to changes in subrecipients, such as:
  - Financial problems that could lead to diversion of grant funds.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Loss of essential personnel.
- Loss of license or accreditation to operate program.
- Rapid growth.
- New activities, products, or services.
- Organizational restructuring.

**Control Activities**

- Identify to subrecipients the Federal award information (e.g., CFDA title and number, award name, name of Federal agency, amount of award) and applicable compliance requirements.
- Include in agreements with subrecipients the requirement to comply with the compliance requirements applicable to the Federal program including the audit requirements of OMB Circular A-133.
- Subrecipient's compliance with audit requirements monitored using techniques such as the following:
  - Determining by inquiry and discussions whether subrecipient met thresholds requiring an audit under OMB Circular A-133.
  - If an audit is required, assuring that the subrecipient submits the report, report package or the documents required by OMB circulars and/or recipient's requirements.
  - If a subrecipient was required to obtain an audit in accordance with OMB Circular A-133 but did not do so, following up with the subrecipient until the audit is completed. Taking appropriate actions such as withholding further funding until the subrecipient meets the audit requirements.
- Subrecipient's compliance with Federal program requirements monitored using such techniques as the following:
  - Issuing timely management decisions for audit and monitoring findings to inform the subrecipient whether the corrective action planned is acceptable.
  - Maintain a system to track and following-up on reported deficiencies related to programs funded by the recipient and ensure that timely corrective action is taken.
  - Regular contacts with subrecipients and appropriate inquiries concerning the Federal program
  - Reviewing subrecipient reports and following-up on areas of concern.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Monitoring subrecipient budgets.
- Performing site visits to subrecipient to review financial and programmatic records and observe operations.
- Offering subrecipients technical assistance where needed.
- Official written policies and procedures exist establishing:
  - Communication of Federal award requirements to subrecipients.
  - Responsibilities for monitoring subrecipients.
  - Process and procedures for monitoring.
  - Methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control.
- Requirements for and processing of subrecipient audits, including appropriate adjustment of pass-through entity's accounts.

### **Information and Communication**

- Standard award documents used by the non-Federal entity contain:
  - A listing of Federal requirements that the subrecipient must follow. Items can be specifically listed in the award document, attached as an exhibit to the document, or incorporated by reference to specific criteria.
  - The description and program number for each program as stated in the Catalog of Federal Domestic Assistance (CFDA). If the program funds include pass-through funds from another recipient, the pass-through program information should also be identified.
  - A statement signed by an official of the subrecipient, stating that the subrecipient was informed of, understands, and agrees to comply with the applicable compliance requirements.
- A recordkeeping system is in place to assure that documentation is retained for the time period required by the recipient.
- Procedures are in place to provide channels for subrecipients to communicate concerns to the pass-through entity.

### **Monitoring**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- Establish a tracking system to assure timely submission of required reporting, such as: financial reports, performance reports, audit reports, on-site monitoring reviews of subrecipients, and timely resolution of audit findings.
- Supervisory reviews performed to determine the adequacy of subrecipient monitoring.

**PART 7 - GUIDANCE FOR AUDITING PROGRAMS**

**NOT INCLUDED IN THIS COMPLIANCE SUPPLEMENT**

**Purpose** - OMB Circular A-133 (§\_\_\_.500(d)(3)) states that for those Federal programs not covered in the compliance supplement, the auditor should use the types of compliance requirements (see 14 types of compliance requirements described in Part 3) contained in the compliance supplement as guidance for identifying the types of compliance requirements to test, and determine the requirements governing the Federal program by reviewing the provisions of contract and grant agreements and the laws and regulations referred in such contract and grant agreements.

The purpose of this Part is to provide the auditor with guidance on how to identify the applicable compliance requirements for programs not included in this Supplement for single audits and for program-specific audits when a program-specific audit guide is not available. This Supplement only includes a few of the largest and/or riskiest Federal programs. However, there are more than 600 assistance programs currently funded by the Federal Government. Therefore, it is likely that the auditor will encounter programs that the auditor is required to test as major programs which are not included in this Compliance Supplement. For this reason, the following guidance is provided for the auditor to identify those compliance requirements that should be tested.

**Organization of this Supplement** - First, a review of how this Supplement is organized will be helpful, since the auditor must consider several parts of the Supplement in identifying compliance requirements to be tested. This Supplement is comprised of the following parts:

Part 1 - Background, Purpose, and Applicability

Part 2 - Matrix of Compliance Requirements

Part 3 - Compliance Requirements

Part 4 - Agency Program Requirements

Part 5 - Clusters of Programs

Part 6 - Internal Control

Part 7 - Guidance for Auditing Programs Not Included in This Compliance Supplement

In determining the compliance requirements to test for programs not included in this Supplement, the auditor shall refer to Parts 3 and 5. Part 3 identifies and describes the 14 types of compliance requirements where noncompliance may have a direct and



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

material effect on a Federal program and provides audit objectives and suggested audit procedures. The 14 types of compliance requirements are:

- A. Activities Allowed or Unallowed
- B. Allowable Costs/Cost Principles
- C. Cash Management
- D. Davis-Bacon Act
- E. Eligibility
- F. Equipment and Real Property Management
- G. Matching, Level of Effort, Earmarking
- H. Period of Availability of Federal Funds
- I. Procurement and Suspension and Debarment
- J. Program Income
- K. Real Property Acquisition and Relocation Assistance
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests and Provisions

Part 5 enumerates those programs that are considered to be clusters of programs as defined by OMB Circular A-133 (§\_\_.105). A cluster of programs means Federal programs with different Catalog of Federal Domestic Assistance (CFDA) numbers that are defined as a cluster of programs because they are closely related programs and share compliance requirements. Part 5 identifies research and development (R&D) and Student Financial Aid (SFA) as clusters, as well as certain other clusters. Also, Part 5 identifies other clusters of programs that are not yet included in this Supplement.

For programs not included in this Supplement, the auditor must determine the applicable compliance requirements. While a Federal program may have many compliance requirements, normally there are only a few key compliance requirements that could have a direct and material effect on the program. Since the single audit process is not intended to cover every compliance requirement, this Supplement and the auditor's focus should be on the 14 types of compliance requirements enumerated in Part 3. The following are suggested procedures to assist the auditor in making this determination.

Although the focus of this Supplement is on compliance requirements that could have a direct and material effect on a major program, auditors also have responsibility under *Generally Accepted Government Auditing Standards* (GAGAS) for other requirements when specific information comes to the auditors' attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on a major program.

### **Steps for Identifying Compliance Requirements**

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Determining what compliance requirements to test involves several steps. The auditor should address the following questions:

1. What are the program objectives, program procedures, and compliance requirements for a specific program?
  2. Which of the compliance requirements could have a direct and material effect on the program?
  3. Which of the compliance requirements are susceptible to testing by the auditor?
  4. Into which of the 14 types of compliance requirements does each compliance requirement fall?
  5. For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?
- 
1. *What are the program objectives, program procedures, and compliance requirements for a specific program?*

The first step is to gain an understanding of how the program works (e.g., the program objectives and procedures) and determine what laws, regulations, and provisions of contract or grant agreements (compliance requirements) apply to the program. The auditor should consider the following steps:

- a. Discuss the program with the non-Federal entity and, if necessary, the Federal agency or, in the case of a subrecipient, the pass-through entity.
- b. Review the contract and grant agreements and referenced laws and regulations applicable to the program, including any amendments or closeout agreements. The documents or agreements may identify the name and telephone number of a Federal contact person or, if a subaward, the contact person for the pass-through entity whom the auditor may wish to contact for additional information.

Note: The auditor should be aware that a particular non-Federal entity or Federal award may be subject to provisions that are unique to that entity or award. For example, previous noncompliance by a non-Federal entity may result in additional, requirements to which the non-Federal entity must adhere in order to continue its participation in the Federal program. Such provisions would generally not be based on laws and regulations applicable to all awards under the Federal program. Reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements identified which could have a direct and material effect on a major program should be included in the audit.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- c. Review the *Catalog of Federal Domestic Assistance* (CFDA). The CFDA provides summary information about each program and includes the name and telephone number of a Federal contact person. A searchable copy of the CFDA is available through the Internet on the GSA Home Page (<http://www.gsa.gov/fdac>).
  - d. For audits of Public and Indian Housing Authorities and certain Department of Education Programs, the auditor should refer to the separate supplements issued by these agencies as described in Part 1, Background, Purpose, and Applicability.
  - e. If there is a program-specific audit guide or other audit guidance issued by the Federal agency's Office of Inspector General (OIG), the auditor may wish to consider this guidance in identifying the program objectives, program procedures, and compliance requirements. The availability of program audit guides can be determined by consulting the President's Council on Integrity & Efficiency (PCIE) publication, *Revised Program Audit Guide Listing* (available from the Government Printing Office) or by contacting the appropriate Regional OIG. A copy of this document is available on the Internet at IGET, PCIE Single Audit Guidance (<http://www.sbaonline.sba.gov/ignet/single/pcie.html>).
  - f. Determine whether the program was included in previously issued compliance supplements (i.e., "Audits of States and Local Governments," issued in 1990, and "Audits of Institutions of Higher Education and Other Non-Profit Organizations," issued in 1991. ). If included, consider whether the prior guidance is helpful and has continuing relevance.
2. *Which of the compliance requirements could have a direct and material effect on the program?*

*Generally Accepted Government Auditing Standards* require that the auditor plan the audit to provide reasonable assurance that the financial statements are free of material misstatement resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts. OMB Circular A-133 requires the auditor to perform procedures to determine whether the non-Federal entity has complied with laws, regulations, and the provisions of contract or grant agreements that could have a direct and material effect on each major program. Therefore, the auditor must determine which compliance requirements could have a direct and material effect on each major program.

In assessing materiality, the auditor should consider that materiality is based on qualitative as well as quantitative aspects. Also, the auditor should consider whether to set materiality at lower levels in audits of Federal programs than private sector audits of

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

financial statements due to the visibility and sensitivity of such programs. Examples of characteristics indicative of compliance requirements that could have a direct and material effect on a major program include:

Noncompliance could likely result in questioned costs.

The requirement affects a large part of the Federal program (e.g., a material amount of program dollars).

Noncompliance could cause the Federal agency, or pass-through entity in the case of a subrecipient, to take action, such as seeking reimbursement of all or a part of the award and suspending the recipient's or subrecipient's participation in the program.

3. *Which of the compliance requirements are susceptible to testing by the auditor?*

The auditor is only expected to test compliance for those requirements which are susceptible to testing by the auditor (i.e., the requirements can be evaluated against objective criteria, and the auditor can reasonably be expected to have sufficient basis for recognizing noncompliance). Further, the auditor would not be expected to test for compliance with requirements that the Federal agency should have the ability to verify in the normal course of administering the program (e.g., if the requirement is that the non-Federal entity must file a report by a certain date, the Federal agency should know whether it received the report on time). Characteristics of compliance requirements that auditors are typically expected to test include those:

Which are practical to test.

With objective criteria available for the auditor to assess compliance.

Where an audit objective can be written that supports an opinion on compliance.

When testing adds value, for example:

- It is likely that the auditor could document the noncompliance in a manner that: (1) permits the Federal or pass-through entity to take action, or (2) gives the Federal or pass-through entity an early warning to initiate a monitoring visit or other contact with the non-Federal entity.
- The Federal or pass-through entity does not otherwise have information that verifies compliance.

4. *Into which of the 14 types of compliance requirements does each compliance requirement fall?*

**Note:** In performing this step, the auditor may find it helpful to prepare a matrix similar to the matrix included in Part 2 for programs included in this Supplement.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

The auditor shall use the 14 types of compliance requirements listed for identifying which requirements applicable to the program are subject to testing. Not all compliance requirements apply to all programs. Conversely, certain types almost always apply.

- A. **Activities Allowed or Unallowed** almost always applies to Federal programs. The auditor should look at the program requirements and Federal award documents for what constitutes allowable or unallowable activities.
- B. **Allowable Costs/Cost Principles** almost always applies since most Federal programs have charges for goods or services. However, if a program only involves benefits to eligible recipients, with no administrative costs, purchases of goods or services (including salaries and overhead), or allocated costs, then allowable costs may not apply.
- C. **Cash Management** almost always applies to Federal programs. An exception would be a Federal award that operates on a cost reimbursement basis only with no cash being advanced.
- D. **Davis-Bacon Act** only applies as required by the Act itself, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, for construction contracts in excess of \$2000 financed by Federal funds. The auditor should review award documents to determine whether the Davis-Bacon Act applies.
- E. **Eligibility** applies to most Federal programs which provide benefits to individuals, groups of individuals, or make subawards. For programs with eligibility requirements, the auditor should review the program laws, regulations, and provisions of contract or grant agreements to determine the specific eligibility requirements. Eligibility involves not only individuals but also possibly groups of individuals, geographical areas, or subrecipients. Additionally, the auditor should consider whether continuing, as well as initial, eligibility requirements apply. Furthermore, eligibility involves both who is eligible and the amount of benefits provided to the eligible.
- F. **Equipment and Real Property Management** requirements applies to Federal programs which purchase equipment or real property.
- G. **Matching, Level of Effort, Earmarking** is not universal, and, if applicable, would be specific to the Federal program and often the non-Federal entity. Therefore, the auditor will have to review the laws, regulations, contract or grant agreements applicable to the program to determine specific requirements for matching, level of effort, and/or earmarking.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- H. **Period of Availability of Federal Funds** almost always applies to Federal programs. The contract or grant agreement applicable to the program often indicates the period during which the funds are available for obligation under the program. The auditor should also look for program requirements regarding carry-over of unused funds to future funding periods, and whether pre-award costs are allowable, to what extent, and under what circumstances.
- I. **Procurement and Suspension and Debarment** applies any time the entity procures goods or services. Suspension and debarment applies to both procurements and subawards.
- J. **Program Income** applies to any program that generates program income (primarily related to the disposition of the income). Program regulations or the contract or grant agreements applicable to the program may specify additional criteria.
- K. **Real Property Acquisition and Relocation Assistance** only applies as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) for payments to persons displaced from their homes, businesses, or farms by federally-assisted programs. While this requirement only applies to a few programs, when it does apply, it is generally a significant aspect of the program. For example, the U.S. Department of Transportation (DOT) funds many programs to construct highways in which real property acquisition and relocation assistance is a significant part of the program activities. The U.S. Department of Housing and Urban Development has the most transactions subject to the URA and the DOT has the most Federal dollars affected.
- L. **Reporting** almost always applies to Federal programs. However, often the Federal agency or pass-through entity, with OMB Paperwork Reduction Act approval, has developed its own forms for financial reporting in addition to or in lieu of the standard Federal financial reports. The auditor should determine whether the standard reports are used, and if not, what forms are used to report the same or similar information. The auditor should be aware that reporting may include electronic submissions for which there may be no physical document.

For performance reporting and special reporting, if there is a program in this Supplement funded by the same Federal agency that requires the same performance or special reporting required by the program for which the auditor is seeking to identify compliance requirements, and this Supplement requires testing of those data, then the auditor should use such guidance in identifying compliance requirements to test. Otherwise, the auditor is only required to test financial reporting.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

- M. **Subrecipient Monitoring** applies when Federal awards are passed through to a subrecipient. If the entity is not a pass-through entity, this requirement does not apply.
- N. **Special Tests and Provisions** includes those compliance requirements that do not fit the description of the types of compliance requirements discussed above. These will generally be the most difficult type of compliance requirement to identify because, by definition, they are unique to each program. In addition to reviewing the program's contract and grant agreements and referenced laws and regulations, the auditor should also make inquiries of the non-Federal entity to help identify and understand Special Tests and Provisions.

For each of the types of compliance requirements listed above, except for Special Tests and Provisions, the auditor shall consider the compliance requirements and related audit objectives in Part 3. In making a determination not to test a compliance requirement, the auditor must conclude that the requirement either does not apply to the particular non-Federal entity or that noncompliance with the requirement could not have a material effect on a major program (e.g., the auditor would not be expected to test Procurement if the non-Federal entity charges only small amounts of purchases to a major program). The suggested audit procedures in Part 3 are provided to assist auditors in planning and performing tests of non-Federal entity compliance with the requirements of Federal programs. Auditor judgment will be necessary to determine whether the suggested audit procedures are sufficient to achieve the stated audit objective and whether additional or alternative audit procedures are needed.

Also, because of the diversity of systems in place among non-Federal entities, Part 3 does not include suggested audit procedures to test internal control. The auditor must determine appropriate procedures to test internal control on a case by case basis considering factors such as the non-Federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in OMB Circular A-133.

5. *For Special Tests and Provisions, what are the applicable audit objectives and audit procedures?*

For each of the types of compliance requirements discussed above, Part 3 includes generic audit objectives and suggested audit procedures, except for Special Tests and Provisions. As noted above, Special Tests and Provisions are sufficiently unique to every program that generic audit objectives and suggested audit procedures are not practicable. Therefore, the auditor will have to develop audit objectives and audit procedures for each identified Special Test and Provision using the guidance described in Part 3 under Special Tests and Provisions.

## **Appendix I**

### **Federal Programs Excluded from the A-102 Common Rule**

Note: §\_\_\_ references are to the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (A-102 Common Rule).

#### **Background**

Certain grant programs (block grant programs enacted under the Omnibus Budget Reconciliation Act of 1981, one special program, open-ended entitlement programs, and other specified programs) are exempt from the provisions of the A-102 Common Rule. These programs are listed below. State administrative requirements for financial management and control apply to the block grant programs (including their subrecipients) and Federal agency regulations apply to the programs which are not block grants.

Block grant programs and the one special program are also exempt from the provisions of OMB cost principles circulars. State cost principles requirements apply to these programs (including their subrecipients). The open-ended entitlement programs and other specified programs are subject to the provisions of the OMB cost principles circulars.

The administrative requirements for the open-ended entitlement programs contained in Federal agency regulations may not be identical those in the A-102 Common Rule. Rather than identify for testing each instance where the requirements differ, this Compliance Supplement only addresses differences that warrant special attention. These differences are in the areas of real property and equipment, procurement, and financial reporting. With respect to all other administrative requirements, the auditor should be guided by the provisions of the A-102 Common Rule (see Part 3) or Circular A-110 and agency program requirements (see Part 4).

USDA's program rules for the Food Stamp Program are in 7 CFR 271-285. HHS's program rules for Medicaid, AFDC, Child Support Enforcement, and Foster Care and Adoption Assistance programs are in 42 CFR 430-498, 45 CFR 201-257, 45 CFR 301-307, and 45 CFR 1355-1357, respectively. 45 CFR 95, "General Administration - Grant Programs (Public Assistance and Medical Assistance)," applies to all of these HHS programs.

#### *Differences pertaining to real property and equipment*

USDA's program rules for real property and equipment (property) acquired under the Food Stamp program are in 7 CFR 277.13, Property. These rules provide for



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

reimbursing the Federal Government for its share of the fair market value of property with an original cost of \$1000 or more when the property is no longer needed.

*Differences pertaining to procurement*

USDA's program rules for procurement associated with the Food Stamp program are in 7 CFR 277.14, Procurement standards. These rules require pre-award review and approval for all noncompetitive procurements over \$10,000, all one bid only procurements over \$10,000, and all procurements over \$10,000 which specify a brand name. The rules also limit small purchase procedures to purchases under \$10,000.

Subpart F of 45 CFR 95, ADP equipment and services, applies to all of these programs. Subpart F requires prior Federal written approval for the acquisition of ADP equipment and services of \$5 million or more when the Federal Government funds at regular matching rates and prior written approval for all ADP acquisitions when the Federal Government funds at enhanced matching rates. In addition, the rules require prior Federal written approval for sole source contracts between \$1 million and \$5 million when the Federal Government funds at regular matching rates and for certain requests for proposals (RFPs), contracts, and amendments.

*Differences pertaining to financial reporting*

USDA's financial reporting requirements associated with the Food Stamp program are provided in Part 4 of this Supplement.

HHS's financial reporting requirements associated with Medicaid are provided in Part 4 of this Supplement. HHS's reporting requirements for AFDC, Child Support Enforcement, and Foster Care and Adoption Assistance have been approved under the Paperwork Reduction Act of 1980, as amended. The auditor should consult with the auditee to obtain the most current requirements. The reporting requirements for these programs will be included in Part 4, upon completion of the agency program requirements.

**Programs Excluded from the Requirements of the A-102 Common Rule**

Since many of the programs excluded from the A-102 Common Rule were reauthorized or amended, the following list provides the current CFDA number and name as listed in the 1996 CFDA. A notation is included with the program name to indicate when only part of the awards under a CFDA number are excluded from the A-102 Common Rule or to provide other clarifications.

§\_\_\_\_.4(a)(2) Block grant programs authorized by:

*The Omnibus Budget Reconciliation Act of 1981 (§\_\_\_\_.4(a)(2))*

93.569 Community Services Block Grant

93.991 Preventive Health and Health Services Block Grant

93.958 and Block Grants for Community Mental Health Services

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

93.959 Block Grants for Prevention and Treatment of Substance Abuse (both of these were formerly part of the ADAMHA block grant)  
93.994 Maternal and Child Health Services Block Grant to the States  
93.667 Social Services Block Grant  
93.568 Low-Income Home Energy Assistance  
14.228 Community Development Block Grants/State's Program (State-administered small cities program)  
84.298 Innovative Education Program Strategies (Title VI) (formerly Chapter 2 of ECIA)  
17.250 and Job Training Partnership Act (Title I and II)  
17.246 Employment and Training Assistance--Dislocated Workers (Title III)

(For both of these programs (17.250 and 17.246), Section 164(a)(3) of the Job Training Reform Amendments of 1992, and the implementing regulations at 20 CFR section 627.420, prescribe minimum requirements for procurements made with Job Training Partnership Act (JTPA) Titles I, II, and III funds. These requirements largely parallel, and in some cases exceed, the procurement provisions of the A-102 Common Rule. Also, CFR section 627.435(b) provides that the determination of whether a JTPA Title I, II, or III cost is direct or indirect shall be made in accordance with the OMB cost principles circulars identified in 29 CFR Part 97, the Department of Labor's adoption of the A-102 Common Rule at 29 CFR section 97.22(b).)

*Special program*

84.010 Title I Grants to Local Educational Agencies (formerly Chapter 1 of ECIA)

*Open-ended entitlement programs*

§\_\_\_\_.4(a)(3) Entitlement grants to carry out the following programs of the Social Security Act:

93.560 Family Support Payments to States--Assistance Payments (AFDC Maintenance Assistance)  
93.563 Child Support Enforcement (Title IV-D)  
93.658 and Foster Care--Title IV-E  
93.659 Adoption Assistance (Title IV-E)  
93.778 Medical Assistance Program (Medicaid; Title XIX) (not including the State Medicaid Fraud Control program)

See Note 1 below for applicable Federal agency regulations.

§\_\_\_\_.4(a)(7) A grant for an experimental, pilot, or demonstration project that is also supported by a grant listed in paragraph (a)(3) of this section.

See Note 1 below for applicable Federal agency regulations.

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

§\_\_\_\_.4(a)(6) Entitlement grants for State Administrative expenses under The Food Stamp Act of 1977

10.561 State Administrative Matching Grants for Food Stamp Program

See Note 2 below for applicable Federal agency regulations.

§\_\_\_\_.4(a)(4) Entitlement grants under the following programs of The National School Lunch Act:

10.555 (i) National School Lunch Program (General Assistance)

10.550 (ii) Food Distribution (Distributions for entitlement programs only, that is the Commodities for Child Nutrition Programs)

10.555 (iii) National School Lunch Program (Special Meal Assistance)

10.559 (iv) Summer Food Service Program for Children

10.558 (v) Child and Adult Care Food Program

See Note 2 below for applicable Federal agency regulations.

§\_\_\_\_.4(a)(5) Entitlement grants under the following programs of The Child Nutrition Act of 1966:

10.556 (i) Special Milk Program for Children

10.553 (ii) School Breakfast Program

See Note 2 below for applicable Federal agency regulations.

*Other specified programs*

§\_\_\_\_.4(a)(8) Grant funds awarded under subsection 412(e) of the Immigration and Nationality Act (8 U.S.C. 1522(e)) and subsection 501(a) of the Refugee Education Assistance Act of 1980 (42 U.S.C. 1535) (Pub. L. 96-422, 94 Stat. 1809), for cash assistance, medical assistance, and supplemental security income benefits to refugees and entrants and the administrative costs of providing the assistance and benefits.

93.566 Refugee and Entrant Assistance--State Administered Programs

See Note 1 below for applicable Federal agency regulations.

§\_\_\_\_.4(a)(9) Grants to local education agencies under 20 U.S.C. 236 through 241-1(a), and 242 through 244 (portions of the Impact Aid program), except for 20 U.S.C. 238(d)(2)(c) and 240(f) (Entitlement Increase for Handicapped Children).

84.041 Impact Aid (excluding payments for children with disabilities and payments for construction)

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

§\_\_\_\_.4(a)(10) Payments under the Veterans Administration's State Home Per Diem Program.

64.014 Veterans State Domiciliary Care

64.015 Veterans State Nursing Home Care

64.016 Veterans State Hospital Care

**Note 1:** Even though the programs listed under paragraphs §\_\_\_\_.4(a)(3), §\_\_\_\_.4(a)(7), and §\_\_\_\_.4(a)(8) are exempt from the A-102 Common Rule, they are currently covered by HHS's interim final implementation of OMB Circular A-110 which HHS has titled as "Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Non-Profit Organizations, and Commercial Organizations; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments" (45 CFR part 74) which has requirements less restrictive (for institutions of higher education) but similar to the A-102 Common Rule and "General Administration-Grant Programs (Public Assistance and Medical Assistance)" (45 CFR part 95).

**Note 2:** Even though the entitlement programs listed under paragraphs §\_\_\_\_.4(a)(4), §\_\_\_\_.4(a)(5), §\_\_\_\_.4(a)(6) above are exempt from the A-102 Common Rule, they are covered by USDA's 7 CFR part 3015 which has requirements more restrictive but similar to the A-102 Common Rule.

## Appendix II

### Federal Agency Codification of Certain Government-wide Requirements

<b>Agency (departments then agencies)<sup>1</sup></b>	<b>A-102 Common Rule (State &amp; local governments)</b>	<b>OMB Circular A- 110 (universities &amp; non-profit organizations)<sup>2</sup></b>	<b>Nonprocurement Suspension &amp; Debarment<sup>3</sup></b>
Agriculture	7 CFR 3016	7 CFR 3019	7 CFR 3017
Commerce	15 CFR 24		15 CFR 26
Defense	32 CFR 33		32 CFR 25
Education	34 CFR 80	34 CFR 74	34 CFR 85
Energy	10 CFR 600	10 CFR 600	10 CFR 1036
Health & Human Services	45 CFR 92	45 CFR 74	45 CFR 76
Housing & Urban Development	24 CFR 85	24 CFR 84	24 CFR 24
Interior	43 CFR 12	43 CFR 12	43 CFR 12
Justice	28 CFR 66	28 CFR 70	28 CFR 67
Labor	29 CFR 97	29 CFR 95	29 CFR 98

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

<b>Agency (departments then agencies)<sup>1</sup></b>	<b>A-102 Common Rule (State &amp; local governments)</b>	<b>OMB Circular A- 110 (universities &amp; non-profit organizations)<sup>2</sup></b>	<b>Nonprocurement Suspension &amp; Debarment<sup>3</sup></b>
State	22 CFR 135	22 CFR 145	22 CFR 137
Transportation	49 CFR 18	49 CFR 19	49 CFR 29
Treasury			31 CFR 19
Veterans Affairs	38 CFR 43		38 CFR 44
ADF			22 CFR 1508
AID		22 CFR 226	22 CFR 208
CNCS	45 CFR 2541	45 CFR 2543	45 CFR 2542
EPA	40 CFR 31	40 CFR 30	40 CFR 32
EX-IM			
FEMA	44 CFR 13		44 CFR 17
FMCS	29 CFR 1470		29 CFR 1471
GSA	41 CFR 105-71	41 CFR 105-72	41 CFR 105-68
IMS	45 CFR 1183		45 CFR 1185
IAF			22 CFR 1006
NASA	14 CFR 1273		14 CFR 1265
NARA	36 CFR 1207	36 CFR 1210	36 CFR 1209
NEA	45 CFR 1157		45 CFR 1154
NEH	45 CFR 1174		45 CFR 1169
NSF	45 CFR 602		45 CFR 620
ONDCP	21 CFR 1403		21 CFR 1404
OPM			5 CFR 970
OPIC			
Peace Corps			22 CFR 310
SBA	13 CFR 143		13 CFR 145
IVA			
USIA		22 CFR 518	22 CFR 513

**Notes:**

- Abbreviations used for the following independent agencies: African Development Foundation (ADF), Agency for International Development (AID), Corporation for National & Community Service (CNCS), Environmental Protection Agency (EPA), Export-Import Bank of the United States (EX-IM), Federal Emergency Management Agency (FEMA), Federal Mediation & Conciliation Service (FMCS), General Services Administration (GSA), Institute of Museum Services (IMS), Inter-American Foundation (IAF), National Aeronautics & Space Administration (NASA), National Archives & Records Administration (NARA), National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), National Science Foundation (NSF), Office of National Drug Control Policy

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

(ONDCP), Office of Personnel Management (OPM), Overseas Private Investment Corporation (OPIC), Small Business Administration (SBA), Tennessee Valley Authority (TVA), & United States Information Agency (USIA).

2. Additional agencies are expected to codify OMB Circular A-110 (58 CFR. 62992); in the meantime, the Circular's requirements apply to them and their awards.
3. Executive Order 12549 provided that agencies, including those which have yet codified the common rule, are covered by OMB's government-wide guidelines which are identical to the common rule (see OMB's memorandum to the agencies at 60 CFR. 33036 and OMB's notice at 53 CFR. 34474).

A copy of this table is also located on OMB's Home Page (<http://www.whitehouse.gov/WH/EOP/OMB/html/miscdoc/ag-codif.html>).

**Appendix III**

**Federal Agency Contacts for A-133 Audits**

This appendix lists Federal agency contacts for A-133 information. A separate table is provided for each Federal agency. The left side of the table lists the addresses, phone numbers, and, where available, e-mail and web page addresses, for each contact. The right side lists the geographical area each Federal contact is responsible for overseeing.

<b>United States Department of Agriculture</b>	
Regional Inspector General U.S. Department of Agriculture 4700 River Road, Suite 5D06 (Mail Unit 151) Riverdale, MD 20737-1237 Phone: Voice (301) 734-7610 FAX: (301) 734-7610	For audits in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Puerto Rico, and the Virgin Islands
Regional Inspector General U.S. Department of Agriculture 401 W. Peachtree St. NW Atlanta, GA 30365-3520 Phone: Voice (404) 730-3210 FAX: (404) 730-3221	For audits in Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
Regional Inspector General U.S. Department of Agriculture 111 N. Canal St., Suite 1130 Chicago, IL 60606	For audits in Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Phone: Voice (312) 353-1352 FAX: (312) 353-3017	
Regional Inspector General U.S. Department of Agriculture 101 South Main, Room 324 Temple, TX 76501 Phone: Voice (817) 298-1430 FAX: (817) 298-1373	For audits in Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
Regional Inspector General U.S. Department of Agriculture P.O. Box 293 Kansas City, MO 64141 Phone: Voice (816) 926-7667 FAX: (816) 926-3861	For audits in Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, and Wyoming

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Regional Inspector General U.S. Department of Agriculture 600 Harrison Street, Suite 225 San Francisco, CA 94107 Phone: Voice (415) 744-2851 FAX: (415) 744-2871	For audits in Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, Trust Territories of the Pacific, and Territory of Guam
National Single Auditor Coordinator U.S. Department of Agriculture Office of Inspector General Jamie L. Whitten Building - Room 450E 1400 Independence Ave. SW Washington, DC 20250 Phone: Voice (202) 720-3163 FAX: (202) 690-4110	NATIONAL OFFICE CONTACT
<b>Department of Commerce</b>	
Office of Inspector General U.S. Department of Commerce Atlanta Regional Office of Audits Suite 2342 401 W. Peachtree St. NW Atlanta, GA 30308 Phone: Voice (404) 730-2780 FAX: (404) 730-2788	All audits
<b>Department of Defense</b>	
Office of the Assistant Inspector General for Audit Policy and Oversight Office of Inspector General U.S. Department of Defense 400 Army Navy Drive, Room 700 Arlington, VA 22202-2884 Phone: Voice (703) 604-8705 FAX: (703) 604-9808	All audits
<b>Department of Education</b>	
Non-Federal Audit Team Office of Inspector General U.S. Department of Education 3535 Market St., Room 16280 Philadelphia, PA 19104 Phone: Voice (215) 596-0262 FAX: (215) 596-0124	For audits in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Puerto Rico, and the Virgin Islands
Non-Federal Audit Team Office of Inspector General U.S. Department of Education 1200 Main Tower, Room 2130 Dallas, TX 75202 Phone: Voice (214) 767-3826 FAX: (214) 767-2024	For audits in Alabama, Arizona, Arkansas, California, Florida, Georgia, Hawaii, Kentucky, Louisiana, Mississippi, Nevada, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Guam



Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Non-Federal Audit Team Office of Inspector General U.S. Department of Education 10220 N. Executive Hills Blvd., 2nd Flare Kansas City, MO 64153 Phone: Voice (816) 880-4024 FAX: (816) 891-0815	For audits in Alaska, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming
Non-Federal Audit Team Office of Inspector General U.S. Department of Education 600 Independence Ave. SW, Rm. 4200 Washington, DC 20202-1510 Phone: Voice (202) 205-8238 FAX: (202) 202-8238 Web Page: <a href="http://home.gvi.net/~edoig">http://home.gvi.net/~edoig</a>	NATIONAL OFFICE CONTACT
<b>Department of Energy</b>	
U.S. Department of Energy Office of Inspector General ATTN: Single Audit Coordinator 1000 Independence Ave. SW IG-33, Rm 5A-193 Washington, DC 20585 Phone: Voice (202) 586-1951 FAX: (202) 586-0099 E-Mail: <a href="mailto:single.audit@hq.doe.gov">single.audit@hq.doe.gov</a> Web Page: <a href="http://www.hr.doe.gov/ig/">http://www.hr.doe.gov/ig/</a>	All audits
<b>Department of Health and Human Services</b>	
National Audit Managers - Non-Federal Audits HHS OIG National External Audit Resources Lucas Place 323 West 8th Street, Room 514 Kansas City, MO 64105 Phone: Voice (816) 374-6714 (800) 732-0679 FAX: (816) 374-6727 Web Page: <a href="http://www.os.dhhs.gov">http://www.os.dhhs.gov</a>	All audits
<b>Department of Housing and Urban Development</b>	
U.S. Department of HUD Office of Inspector General Financial Audits Division, Audit Coord. 451 7th Street, SW Washington, DC 20410 Phone: Voice (202) 708-0383 FAX: (202) 708-1783 Web Page: <a href="http://www.hud.gov/oig/oigindex.html">http://www.hud.gov/oig/oigindex.html</a>	All audits

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

<b>Department of the Interior</b>	
U.S. Department of Interior Office of Inspector General 1849 C Street, NW, NS 5341 Washington, DC 20240 Phone: Voice (202) 208-5384 FAX: (202) 208-2803	All audits
<b>Department of Justice</b>	
U.S. Department of Justice Washington Regional Audit Office 1425 New York Ave., NW, Suite 6001 Washington, DC 20005 (Mailing Address: P.O. Box 34190 Washington, DC 20043-4190) Phone: Voice (202) 616-4688 FAX: (202) 616-4581	District of Columbia, Maryland, Virginia, and West Virginia
U.S. Department of Justice Philadelphia Regional Audit Office 70-1 Market Street, Suite 201 Philadelphia, PA 19106 Phone: Voice (215) 580-2111 FAX: (215) 597-1348	For audits in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont
U.S. Department of Justice Atlanta Regional Audit Office 101 Marietta Street, Suite 2322 Atlanta, GA 30323-2401 Phone: Voice (404) 331-5928 FAX: (404) 331-5046	For audits in Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Puerto Rico, and the Virgin Islands
U.S. Department of Justice Chicago Regional Audit Office CitiCorp Center 500 West Madison, Suite 3510 Chicago, IL 60661 Phone: Voice (312) 353-1203 FAX: (312) 886-0513	For audits in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin
U.S. Department of Justice Dallas Regional Audit Office 207 South Houston Street Box 4 (Room 334) Dallas, TX 75202 Phone: Voice (214) 655-5000 FAX: (214) 655-5025	For audits in Arkansas, Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, and Wyoming

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

U.S. Department of Justice San Francisco Regional Audit Office 1200 Bayhill Drive, Suite 201 San Bruno, CA 94066 Phone: Voice (415) 876-9220 FAX: (415) 876-0902	For audits in Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Washington, Trust Territories of the Pacific Islands, and the Commonwealth of Northern Mariana Islands
U.S. Department of Justice Assistant Inspector General for Audit 1425 New York Avenue NW Suite 5001 Washington, DC 20005 (Mailing Address: P.O. Box 34190 Washington, DC 20043-4190) Phone: Voice (202) 616-4633 FAX: (202) 616-1697	NATIONAL OFFICE CONTACT
<b>Department of Labor</b>	
National Single Audit Coordinator Division of Audit Operations U.S. Department of Labor 200 Constitution Ave. NW, Rm S-5022 Washington, DC 20210 Phone: Voice (202) 219-8385 FAX: (202) 219-4453	NATIONAL OFFICE CONTACT
<b>Department of State</b>	
U.S. Department of State Office of Inspector General OIG/AUD/CG 1700 North Moore Street Arlington, VA 22209 Phone: Voice (703) 284-2600 FAX (703) 284-2622	All audits
<b>Department of Transportation</b>	
U.S. Department of Transportation Office of Inspector General Atlanta Federal Center, Suite 17T60 Atlanta, GA 30303 Phone: Voice (404) 562-3770 FAX: (404) 562-3854	All audits
<b>Department of the Treasury</b>	
Department of the Treasury Office of Inspector General Director of Field Audit Operations 740 15th Street NW, Suite 600 Washington, DC 20008 Phone: Voice (202) 927-5400 FAX: (202) 927-5379	All audits
<b>Department of Veterans Affairs</b>	

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Director Contract Review & Evaluation Division (53C) Department of Veterans Affairs 810 Vermont Ave. NW Washington, DC 20420 Phone: Voice (202) 523-1751 FAX: (202) 523-0365	All audits
<b>Agency for International Development</b>	
USAID ATTN: M/OP/PS/CAM Contract Audit Management Branch Room 1425, SA-14 Washington, DC 20523-1416 Phone: Voice (703) 875-1110 FAX: (703) 875-1027 E-Mail: SingleAudit@USAID.gov Web Page: <a href="http://www.info.usaid.gov">http://www.info.usaid.gov</a>	For audits of all U.S. based not-for-profit organizations
<b>Appalachian Regional Commission</b>	
Appalachian Regional Commission Office of Inspector General 1666 Connecticut Ave. NW, Suite 215 Washington, DC 20235 Phone: Voice (202) 884-7675 FAX: (202) 884-7691 E-Mail: <a href="mailto:hsparks@arc.gov">hsparks@arc.gov</a>	All audits
<b>Corporation for National and Community Service</b>	
Office of the Inspector General Corporation for National and Community Service - Suite 8100 1201 New York Avenue, NW Washington, DC 20525 Phone: Voice (202) 606-5000, ext. 390 FAX: (202) 565-2795 E-Mail: <a href="mailto:wanderso@cns.gov">wanderso@cns.gov</a>	All audits
<b>Environmental Protection Agency</b>	
National Single Audit Coordinator Office of Inspector General Mid-Atlantic Audit Division U.S. Environmental Protection Agency 841 Chestnut Street, 13th Floor Philadelphia, PA 19107 Phone: Voice (215) 566-5800 FAX: (215) 566-2351 E-Mail: <a href="mailto:single.audit@epamail.epa.gov">single.audit@epamail.epa.gov</a> Web Page: <a href="http://www.epa.gov/oigearth">http://www.epa.gov/oigearth</a>	All audits
<b>Federal Emergency Management Agency</b>	
District Audit Manager	All audits in Alabama, Connecticut,

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

Office of Inspector General Federal Emergency Management Agency Room 373 3003 Chambles-Tucker Road Atlanta, GA 30341 Phone: Voice (770) 220-5242 FAX: (770) 220-5259	Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin, Puerto Rico, and the Virgin Islands
District Audit Manager Office of Inspector General Federal Emergency Management Agency Building 105 Presidio of San Francisco San Francisco, CA 94129 Phone: Voice (415) 923-7010 FAX: (415) 923-7017	All audits in Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, and Guam
Office of Inspector General Federal Emergency Management Agency 500 C. Street SW - Suite 825 Washington, DC 20472 Phone: Voice (202) 646-3911 FAX: (202) 646-3901	NATIONAL OFFICE CONTACT
<b>General Services Administration</b>	
Regional Inspector General for Auditing General Services Administration Washington Field Audit Office (JA-W) 7 & D Street SW, Room 1064 Washington, DC 20407 Phone: Voice (202) 708-5340 FAX: (202) 708-7494	All audits
<b>National Aeronautics &amp; Space Administration</b>	
NASA Office of Inspector General NASA Headquarters, Code W Washington, DC 20546-0001 Phone: Voice (202) 358-1232 FAX: (202) 353-3022 E-Mail: codew-aiga-staff-dir@lists.hq.nasa.gov Web Page: <a href="http://www.hq.nasa.gov/office/oig/hq">http://www.hq.nasa.gov/office/oig/hq</a>	All audits

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

<b>National Archives and Records Administration</b>	
Office of Inspector General National Archives at College Park 8601 Adelphi Road - Room 1300 College Park, MD 20740-6001 Phone: Voice (301) 713-7000 FAX: (301) 713-7320	All audits
<b>National Endowment for the Arts</b>	
Office of Inspector General National Endowment for the Arts 1100 Pennsylvania Ave. NW, Rm 528 Washington, DC 20506 Phone: Voice (202) 682-5402 FAX: (202) 682-5649	All audits
<b>National Endowment for the Humanities</b>	
Office of Inspector General National Endowment for the Humanities 1100 Pennsylvania Ave. NW, Rm 419 Washington, DC 20506 Phone: Voice (202) 606-8350 FAX: (202) 606-8329 E-Mail: oig@neh.fed.us	All audits
<b>National Science Foundation</b>	
Office of Inspector General National Science Foundation Assistant Inspector General for Audit 4201 Wilson Boulevard, Suite 1135 Arlington, VA 22230 Phone: Voice (703) 306-2100 FAX: (703) 306-0649 E-Mail: single_audit@nsf.gov	All audits
<b>Nuclear Regulatory Commission</b>	
U.S. Nuclear Regulatory Commission Mail Stop T5D28 Office of Inspector General Washington, DC 20555 Phone: Voice (301) 415-5930 FAX: (301) 415-5091 E-Mail: apx@nrc.gov	All audits

Appendix A  
OMB Circular A-133 Compliance Supplement - Provisional

<b>Small Business Administration</b>	
Deputy Assistant Inspector General for Auditing Operational Support Services Small Business Administration Office of Inspector General 409 Third St. SW, Suite 5600 Washington, DC 20416 Phone: Voice (202) 205-7431 FAX: (202) 205-7874	All audits
<b>Social Security Administration</b>	
Audit Manager Office of Inspector General Social Security Administration Bolling Federal Bldg., Rm 415 601 E. 12th St. Kansas City, MO 64106 Phone: Voice (816) 426-3204, ext 262 FAX: (816) 426-2618 E-Mail: fredric.uehling@ssa.gov	All audits
<b>Tennessee Valley Authority</b>	
Assistant Inspector General, Audit Operations Tennessee Valley Authority Office of Inspector General 400 West Summit Hill Drive Knoxville, TX 37902-1499 Phone: Voice (423) 632-3437 FAX: (423) 632-4130	All audits
<b>U.S. Information Agency</b>	
U.S. Information Agency Office of Inspector General OIG/AUD/CG 1700 North Moore Street Arlington, VA 22209 Phone: Voice (703) 284-2600 FAX: (703) 284-2622	All audits